

**COURSE DATA****Data Subject**

Code	35806
Name	Theory of finance
Cycle	Grade
ECTS Credits	6.0
Academic year	2022 - 2023

Study (s)

Degree	Center	Acad. year	Period
1313 - Degree in Business Management and Administration	Faculty of Economics	3	First term
1330 - Degree in Business Management and Administration (Ontinyent)	Faculty of Economics	3	First term
1921 - D.D. in Business Management Administration-Law	Doubles Studies Faculty of Law - Faculty of Economics	4	First term
1926 - D.D. in Tourism-Business Management Administration	Faculty of Economics	4	First term

Subject-matter

Degree	Subject-matter	Character
1313 - Degree in Business Management and Administration	8 - Principles of financial management	Obligatory
1330 - Degree in Business Management and Administration (Ontinyent)	8 - Principios de Dirección Financiera	Obligatory
1921 - D.D. in Business Management Administration-Law	5 - Year 4 compulsory subjects	Obligatory
1926 - D.D. in Tourism-Business Management Administration	5 - Asignaturas de cuarto curso	Obligatory

Coordination

Name	Department
GOMEZ CALVET, ANA ROSA	172 - Business Finance



SUMMARY

Finance Theory course is part of the subject Principles of Financial Management, and includes part of the body of knowledge needed to carry out the financial management of any company. Specifically, it deals with the description, analysis and evaluation of corporate financing instruments both internal (self-financing) and external (stocks, bonds ...) and major decisions such as financing (debt policy and dividend policy). Moreover, given the overall objective of the financial management of the company (ie, maximize the market value of the company to the shareholder), is essential to interrelate investment decisions (in the subject studied Investment Theory) with funding decisions (themselves the subject that concerns us).

PREVIOUS KNOWLEDGE

Relationship to other subjects of the same degree

There are no specified enrollment restrictions with other subjects of the curriculum.

Other requirements

It is strongly recommended to have previous knowledge of Investment Theory, Statistics (basics), Financial Accounting and Financial Mathematics.

OUTCOMES

1313 - Degree in Business Management and Administration

- Demonstrate capacity for analysis and synthesis.
- Have organisation and planning skills.
- Be able to use ICTs in the field of study.
- Be able to analyse and search for information from different sources.
- Be able to solve problems.
- Be able to make decisions.
- Be able to work in a team.
- Manage time effectively.
- Be able to learn autonomously.
- Be able to adapt to new situations.



LEARNING OUTCOMES

Concerning Principles of Financial Management:

- Clearly distinguish the different types of financing that a company can carry out and understand the relationships between investment and financing decisions.
- Ability to analyze business financing projects.
- Possibility of establishing and developing viable investment and financing policies appropriate to business strategies.
- Ability to design a debt policy for the company.
- Ability to design the optimal dividend policy based on the circumstances of the company.

DESCRIPTION OF CONTENTS

1. UNIT 1. INTERNAL FINANCING

1. Funds that companies generate internally.
2. Depreciation.
3. Retained earnings.

2. UNIT 2. EXTERNAL FINANCING

1. External financing and Financial System.
2. Issuing Securities.
3. Other financing sources.

3. TOPIC 3 - OWN EXTERNAL FINANCING. SHARES AND SUBSCRIPTION RIGHTS VALUATION

1. External financing through issue of shares.
2. Stock valuation. Constant dividend model and increasing dividend model.
3. Valuation of subscription rights.

4. TOPIC 4 - FINANCING WITH EXTERNAL FUNDS. BOND VALUATION

1. External financing through the issuance of bonds / obligations.
2. Valuation of bonds/obligations. Issuance over par, par and under par. Dynamic behavior of the price of bonds /obligations
3. Other sources of business financing.



5. UNIT 5. CAPITAL STRUCTURE, RISK AND OPPORTUNITY COST OF CAPITAL

1. Capital Structure of the firm. Leverage.
2. Profitability. Economic risk and financial risk.
3. Risk determinants. Opportunity cost of capital.

6. UNIT 6 - BORROWING POLICY

1. The borrowing policy of the firm.
2. The borrowing policy of the firm with perfect capital markets.
3. The borrowing policy of the firm with non-perfect capital markets.

7. UNIT 7. PAYOUT POLICY

1. The payout policy of the firm.
2. The payout policy of the firm with perfect capital markets.
3. The payout policy of the firm with non-perfect capital markets.

8. UNIT 8 - INVESTMENT AND FINANCING DECISIONS INTERRELATIONSHIP.

1. Value creation at the company.
2. Financial flows within the company.
3. Enterprise value and interrelated decisions.

WORKLOAD

ACTIVITY	Hours	% To be attended
Theory classes	30,00	100
Classroom practices	30,00	100
Study and independent work	90,00	0
TOTAL	150,00	

TEACHING METHODOLOGY

- During theoretical classes, professor will explain the subject. It will be considered student's participation, asking pertinent questions, and discussing, after reading, the concepts being studied.
- During practice classes, professor will solve, with student's participation, some exercises of the collection provided. Part of these exercises must be solved at home by the students. Also interested in business reality.



EVALUATION

- Continuous assessment: it must be understood as referring to a natural process of successive acquisition of skills and knowledge that converges and condenses in a final exam. It can be implemented through thematic questionnaires and course work. Weight: 25%. The continuous assessment is recoverable with the final exam.
- Final exam: it will consist of a set of test-type questions and / or several open questions, combining theory and practice. Weight: 75%. Essential condition to pass the exam: obtain a minimum of 3.5 points (out of 10) both in theory and in practice.
- To pass the subject, you must pass the final exam.

REFERENCES

Basic

- BERK, J.; DeMARZO, P. (2008) Finanzas corporativas. Pearson.
- BERK, J.; DeMARZO, P. (2019): Corporate Finance, 5 th edition. Pearson Education Limited.
- BLANCO, F.; FERRANDO, M.; MARTÍNEZ, F. (2007): Dirección financiera I: selección de inversiones. Pirámide.
- BLANCO, F.; FERRANDO, M.; MARTÍNEZ, F. (2015): Teoría de la Inversión. Pirámide.
- BREALEY, R.A.; ALLEN, F.; MYERS, S.C. (2020). Principios de Finanzas Corporativas, 13ª edición. McGraw-Hill.
- FERRANDO, M.; GÓMEZ, A.R.; LASSALA, C.; PIÑOL, J.A.; REIG, A. (2005): Teoría de la financiación I: modelos CAPM, APT y aplicaciones. Pirámide.
- GOMEZ, A.R.; PIÑOL, J.A.; REIG, A.; RODRIGO, A. (2006): Teoría de la financiación II: OPT, estructura de capital y dividendos. Pirámide.
- HILLIER, D.; ROSS, S.; WESTERFIELD, R.; JORDAN, B. (2021): Corporate Finance, 4th edition. McGraw-Hill.
- LASSALA, C.; MEDAL, A.; NAVARRO, V.; SANCHIS, V.; SOLER, A. (2006): Dirección financiera II: medios de financiación empresarial. Pirámide.
- ROSS, S.; WESTERFIELD, R.; JORDAN, B. (2018): Fundamentos de Finanzas Corporativas, 11th Edicion, McGraw-Hill