

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

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| Code | 35833 |
| Name | Corporate finance |
| Cycle | Grade |
| ECTS Credits | 4.5 |
| Academic year | 2020 - 2021 |

Study (s)

| Degree | Center | Acad. year | Period |
|---|----------------------|-------------------|---------------|
| 1313 - Degree in Business Management and Administration | Faculty of Economics | 4 | First term |
| 1330 - Degree in Business Management and Administration (Ontinyent) | Faculty of Economics | 4 | First term |
| 1926 - D.D. in Tourism-Business Management Administration | Faculty of Economics | 5 | Annual |

Subject-matter

| Degree | Subject-matter | Character |
|---|--|------------------|
| 1313 - Degree in Business Management and Administration | 23 - Management tools and skills | Optional |
| 1330 - Degree in Business Management and Administration (Ontinyent) | 23 - Herramientas y Habilidades Directivas | Optional |
| 1926 - D.D. in Tourism-Business Management Administration | 8 - Asignatura optativa de quinto curso | Optional |

Coordination

| Name | Department |
|-----------------------------|------------------------|
| IBAÑEZ ESCRIBANO, ANA MARIA | 172 - Business Finance |

SUMMARY

Corporate Finance is an optional subject included in the mention of Creación y Dirección de Empresas of 4.5 ECTS. The subject is located within the matter of Tools and Management Skills along with the subjects of Statistical Conduct, Legal Regime of the Government of the Mercantile Societies, Directive



Accounting and the theory of Equipment and Cooperative Games. Within the temporary distribution of the subjects in the degree of Administración y Dirección de Empresas is located in the first semester of the fourth year.

The students of the degree in Administración y Dirección de Empresas have studied the subject of Theory of Investment during the second semester of the second year and during the first semester of the third year the subject of Theory of Finance with which they should have developed a series of skills and competences that enable them to advance in more specific knowledge within the Financial Economy and more specifically in Corporate Finance.

In the mention of Creation and Management of Companies, the role of the Corporate Finance subject is key since it is essential to know the theories that support the making of efficient decisions from the financial point of view.

It is obvious to point out that nowadays finance is becoming more relevant in the field of the economy in general and in the field of the company in particular and that making efficient decisions from the financial point of view today is presented as a requirement essential for the survival of the company. Therefore, any company needs professionals in the financial field capable of making the best decisions.

Without detracting from the importance that professional experience has in the financial management of the company, it is essential to be able to respond to the changes to know the basic theories that concern finance. The knowledge, skills and competences acquired in the core are general and basic for any graduate in Administración y Dirección de Empresas, but to perform certain tasks and specifically in the field of business creation and management is essential to deepen and expand the knowledge, skills and competences in the context of Corporate Finance.

Thus, based on the basic knowledge already taught in the core business, the context of the cost of capital and its estimation will be deepened. We study the theory of the efficient market, its empirical evidence and the anomalies as well as the new explanations offered based on the behavior of the investor. The knowledge already acquired on the financial structure is broadened by incorporating the theory of the hierarchical arrangement of financing options and the main results that emerge from the theory of the agency and the incorporation of asymmetric information. In the same line, the decisions on dividend payments are deepened. The process of business restructuring is studied, specifically the mergers of companies and their determinants. Likewise, it contemplates the possibilities of growth of the company from the options to issue financial assets and to join the Stock Exchange.

PREVIOUS KNOWLEDGE

Relationship to other subjects of the same degree

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



Other requirements

In order to carry out an adequate learning of the contents of this subject, the student must know the contents already taught in the subjects of Investment Theory and Theory of Finance.

OUTCOMES

1313 - Degree in Business Management and Administration

- Demonstrate capacity for analysis and synthesis.
- Have organisation and planning skills.
- Demonstrate oral and written communication skills in the native language.
- Be able to use English in a professional environment.
- 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 negotiate and reconcile interests effectively.
- Be able to transmit and communicate complex ideas and approaches to both specialised and lay audiences.
- Be able to work in a team.
- Have critical and self-critical capacity.
- Manage time effectively.
- Be able to learn autonomously.
- Be able to adapt to new situations.
- Show creativity.
- Be able to contribute positively to raising awareness of environmental and social issues and to overcoming all forms of discrimination, as essential factors for economic development and poverty alleviation.
- Be able to coordinate activities.
- Acquire interdisciplinary knowledge of the company and its social, economic, institutional and legal environment, and of the basic elements of the management process, such as organisation and administration, accounting, taxation, operations, human resources, marketing, financing and investment.
- Be able to prepare and interpret accounting information, both financial, for external users, and internal, for management control and decision making.



- Be able to solve financial valuation problems, both for financing decisions and for business investment, in the national and international environment.
- Be able to carry out strategic diagnoses in complex and uncertain environments using the appropriate methodologies to resolve them.
- Be able to make decisions under certainty and uncertainty environments.
- Be able to apply analytical and mathematical methods for the analysis of economic and business problems.
- Be able to express oneself in formal, graphic and symbolic languages.
- Understand the concept of market efficiency and its implications for company financing.
- Know the different shareholder remuneration policies and their effects on the value of the company.
- Know the different financing instruments and be able to determine the company's indebtedness policy.
- Be familiar with financial problems in specific contexts (SMEs, family businesses, etc.).

LEARNING OUTCOMES

- Use strategic reasoning for making individual decisions and in organizations.
- Ability to collect bibliography, structure and interpret it from theoretical knowledge.
- Ability to design a debt policy in the company.
- Obtain an adequate view of the problems surrounding mergers and acquisitions of companies.

DESCRIPTION OF CONTENTS

1. Estimating the cost of capital. The equity cost of capital

In this topic, we study the concept of the firm cost of capital, showing its differences from the concept of the opportunity cost of capital used in capital budgeting. Moreover, we study how to estimate the firm's equity cost of capital, including the empirical details of identifying the market portfolio and estimating equity betas.

2. Estimating the cost of capital. The debt cost of capital. A projects cost of capital

We continue with the concepts studied in the previous topic and we develop methods to estimate the firms debt cost of capital, based either on its yield or on its beta. We also show how to estimate a projects cost of capital based on the unlevered cost of capital of comparable firms.

**3. Investment Strategy, and Capital Budgeting. The Agency Problems. Ethic and Social Responsibility**

In this topic, we review certain common pitfalls in capital budgeting, notably the tendency to apply DCF when market values are already available and no DCF calculations are needed. We introduce the concept of the economic rents that underlie all positive-NPV investments. We also analyze agency problems in capital budgeting, incentives, and performance measurement. In this topic, we also introduce the concept and importance of ethics and social responsibility in the financial field

4. Capital market efficiency and investor behavior

In this topic one of the fundamental concepts in the area of Finance, the market of efficient capitals, will be studied, the empirical evidence and the anomalies found will be analyzed introducing the explanations offered by the conductivist finances.

5. Capital structure: Financial distress, managerial incentives and information

The study of the financial structure was completed , incorporating the possibility of default and bankruptcy , the trade-off theory, and asymmetric information and the pecking order theory

6. Raisig Equity Capital and Corporate Restructuring

We study the different ways that companies have to raise external financial resources that allow them to grow. We especially focus on the issuance of shares and IPOs.

We also analyze the main processes of business restructuring, mergers and acquisitions of companies and their determinants and processes.

WORKLOAD

| ACTIVITY | Hours | % To be attended |
|--|-------|------------------|
| Theory classes | 30,00 | 100 |
| Classroom practices | 15,00 | 100 |
| Attendance at events and external activities | 2,00 | 0 |
| Development of group work | 2,50 | 0 |
| Development of individual work | 2,00 | 0 |
| Study and independent work | 20,00 | 0 |
| Readings supplementary material | 3,00 | 0 |
| Preparation of evaluation activities | 15,00 | 0 |
| Preparing lectures | 5,00 | 0 |
| Preparation of practical classes and problem | 9,00 | 0 |
| Resolution of case studies | 9,00 | 0 |



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| TOTAL | 112,50 |
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TEACHING METHODOLOGY

During the course, the contents of the program will be worked on simultaneously with theoretical and practical ones.

The theoretical classes will be taught with the methodology of the lecture, in which the teacher will detail the fundamental aspects of each topic and explain the most relevant concepts by facilitating the study of it through the indicated bibliography, to which the student must go to complete and deepen the subject, and the material prepared for this purpose.

The practical classes will consist on the consideration of questions and exercises of applied character that have been previously raised in the theoretical classes, and certain program topics will be studied due to their eminently practical content.

When solving the questions and exercises, the student must actively participate in the development of the activity discussing the solution, and using the appropriate computer techniques to solve them.

In addition to these face-to-face activities, the student must carry out other activities oriented to autonomous learning, such as individual study, the preparation of assessment activities, or individual or group work. For the successful completion of these activities, tutoring, done either individually or in groups, is a particularly important teaching resource since it allows the teacher to know the level of progress of the group, and the student personalized orientation in its training program.

Consequently, throughout the formative period of the subject is recommended and encourages the use of this teaching resource.

The virtual classroom, <http://pizarra.uv.es> facilitates the development of these methodologies, since it includes all the teaching material and allows a fluid contact between teacher and student

EVALUATION

The evaluation will be based on:

- A single written exam in the period that the center schedules. This exam will include all the content.
- The continuous evaluation will be based on any or all of the following points:
 - Attendance to class and participation in them.
 - Attendance at conferences related to the topics of study.
 - Activities carried out during the training period: exercises, problems and cases.
 - Individual and/or team work.



- Evaluable written tests done in class.

The assessment test will represent 70% of the final grade and the evaluation will continue 30%.

In any case, to pass the subject it will be needed to obtain a minimum score of 5 out of 10 and in the test or evaluable subtest you must also obtain a minimum score of 5 out of 10. In the case of not passing the evaluable test the maximum score that you will be able to get will be 4.5.

In order for the proposed activities and tasks to be evaluated, they must be submitted on the date and manner stipulated for each of them.

In the second call the same evaluation criteria will be used as in the first

REFERENCES

Basic

- BERCK, J, P. DEMARZO (2008): Finanzas Corporativas. Pearson.
- BERCK, J, P. DEMARZO y J. HARDFORD (2010): Fundamentos de Finanzas Corporativas. Pearson.
- <http://cibisoc.blogs.uv.es/>
- BREALEY, R.;S. MYERS ; A. MARCUS y P. MATEOS (2010b) y : Finanzas Corporativas. McGraw-Hill. Madrid.
- BREALEY, R.; S. MYERS y F. ALLEN (2015): Principios de Finanzas Corporativas. McGraw-Hill. Madrid.

Additional

- COPELAND, TE, JF. WESTON y K. SHASTRI: Financial Theory and Corporate Policy. Pearson, 2005
- GÓMEZ, AR, PIÑOL, JA, REIG, A, RODRIGO, A (2006): Teoría de la Financiación II. Pirámide.
- PECK, SW (2011): Investment Ethics. Wiley
- BERCK, J, P. DEMARZO, P.(2016): Corporate Finance. Pearson

ADDENDUM COVID-19

This addendum will only be activated if the health situation requires so and with the prior agreement of the Governing Council

Under the current circumstances and following the guidelines of the University of Valencia and the Faculty of Economics, the teaching of the subject will be entirely face-to-face, adjusting to the system described in the teaching guide for groups whose number of students and size of the classroom allow it. The groups that meet this condition are both group F (GADE) and group A (TADE). For group Z (GADE_ONT), the teaching of the theoretical part will be online and can be done synchronously and/or asynchronously, while the practical part will be face-to-face and will be in conformity with the



description in the teaching guide.

However, given the uncertainty about the evolution of the pandemic, the model proposed must necessarily be flexible, so that, always taking into account the indications of the health authorities and the University, it may be necessary to move to an online teaching model, synchronous and/or asynchronous, to take into account the possible preventive measures that may be dictated by the different authorities in accordance with the evolution of the situation caused by the covid.

Similarly, the current plan would be to carry out a face-to-face examination on the dates planned by the centre. Although everything possible will be done to make this happen, we cannot rule out the possibility of a scenario like the one we have already experienced, in which the physical execution of the exam is impossible. In these cases, it would be necessary to adapt the exam to an online model using the tools provided by the University of Valencia's virtual classroom.

The possibility of this scenario makes it necessary to strengthen the continuous assessment part for this course. For this reason, and for the 2020-21 academic year, continuous assessment will have a weight of 50%. This continuous assessment will consist of tasks to be handed in at the virtual classroom, exercises and tests that can be carried out both in the classroom and online through questionnaires.