

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

Code	35893
Name	Financial management
Cycle	Grade
ECTS Credits	6.0
Academic year	2022 - 2023

Study (s)

Degree	Center	Acad. year	Period
1314 - Degree in International Business	Faculty of Economics	2	Second term

Subject-matter

Degree	Subject-matter	Character
1314 - Degree in International Business	12 - Principles of financial management	Obligatory

Coordination

Name	Department
RAMIREZ LOPEZ, FEDERICO	172 - Business Finance

SUMMARY

The course FINANCIAL MANAGEMENT is about **financial decisions made by corporations**.

Corporations face two broad financial questions: What investments should the firm make? and How should it pay for those investments? The first question involves spending money; the second involves raising it.

The goal of financial management is to answer these questions by increasing firm value.

In this course we describe the theory and practice of corporate finance by explaining the principles of the



theory of finance. Throughout this course we also show how managers use financial theory to solve practical problems.

PREVIOUS KNOWLEDGE

Relationship to other subjects of the same degree

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

Other requirements

To successfully address this course the student needs minimal prerequisites: a level of basic mathematics (basic algebra -solving equations with one/two unknowns- and basic financial mathematics) and a minimal familiarity with the graphical analysis.

We assume that most students either will have taken, or will be currently enrolled in courses in accounting, statistics, and economics. This exposure will help students understand some of the consequences of financial decisions.

OUTCOMES

1314 - Degree in International Business

- Develop the capacity to evaluate and critically analyse international economic phenomena and agents.
- Be able to work in multidisciplinary and intercultural teams.
- Understand the structure and functioning of companies and organisations operating in an international context.
- Know how to use the statistical methods and software to manage the company's operations.
- Know the basic elements of the legislation regulating international economic, financial and fiscal operations.
- Use the economic and financial information of the company to make decisions.
- Develop the capacity to prepare and defend reports that contribute to the decision-making of public and private agents.
- Conocer las teorías, métodos e instrumentos básicos ligados al análisis y valoración de proyectos de inversión empresariales.
- Leer, escuchar y manejar información de tal manera que pueda realizar de una manera eficiente informes y/o exposiciones de los criterios y elementos tenidos en cuenta en las decisiones financieras tomadas utilizando un lenguaje claro y adecuado.



- Relacionar los diferentes elementos que interactúan en las decisiones financieras de las empresas con el fin de obtener proyecciones ajustadas al contexto económico nacional e internacional.
- Aprender a razonar de una forma rigurosa y sistemática, adoptando una actitud emprendedora para la solución de nuevos problemas complejos.

LEARNING OUTCOMES

The student will learn the principles of financial management.

Also, the student will learn the way managers think and analyse firms' real problems and will be able to propose solutions to these problems, using methodology and concepts from the financial management.

DESCRIPTION OF CONTENTS

1. Corporate Financial Management

- 1.1. Finance in the firm
- 1.2. Assets and Liabilities structure: Financial Equilibrium
- 1.3. Corporate Financial Management Objectives

Basic bibliography:

ROSS, S; WESTERFIELD, R; JAFFE, J. (2010): Ch 1.1, 1.4.
BREALEY, R.; MYERS, S.; ALLEN. (2008): Ch 1.2, 2.3.

2. Investment: concept, classification and cash flow estimates

- 2.1. The idea of investment
- 2.2. Financial Characteristics of an investment.
- 2.3. Cash Flows: How to determine the relevant cash-flows

Basic bibliography:

ROSS, S; WESTERFIELD, R; JAFFE, J. (2010): Chapters 1.3, 2.2-2.4, 6.1, 6.2, 6.3
BREALEY, R.; MYERS, S.; ALLEN. (2008): Chapters 2.1



3. Net Present Value (NPV) and the Opportunity Cost of Capital

- 3.1. Introduction: Foundations of the Net Present Value Rule
- 3.2. Net Present Value
- 3.3. The opportunity cost of capital

Basic bibliography:

ROSS, S; WESTERFIELD, R; JAFFE, J. (2010): Chapter 5.1
BREALEY, R.; MYERS, S.; ALLEN. (2008): Chapters 2.1, 2.2

4. Other Investment Decision Criteria

- 4.1. Payback
- 4.2. Internal Rate of Return (IRR)
- 4.3. Problems with the IRR approach
- 4.4. Profitability index

Basic bibliography:

ROSS, S; WESTERFIELD, R; JAFFE, J. (2010): Chapter 5.2, 5.3, 5.4, 5.6, 5.7

5. Risk Analysis in Capital Budgeting

- 5.1. Sensitivity analysis
- 5.2. Scenario analysis
- 5.3. Break-even analysis

Basic bibliography:

ROSS, S; WESTERFIELD, R; JAFFE, J. (2010): Chapter 7.1
BREALEY, R.; MYERS, S.; ALLEN. (2008): Chapters 11.1, 11.2

6. Investment financing relationship

- 6.1. Business Risk and Financial Risk
- 6.2. Weighted Average Cost of Capital Adjusted discount rate
- 6.3. Adjusted Present Value (APV).
- 6.4. The effects of leverage on expected cash flows and discount rates

Basic bibliography:

ROSS, S; WESTERFIELD, R; JAFFE, J. (2010): Chapters 16.3, 16.4, 17.1, 18.1, 18.2, 18.3, 18.4

**7. Corporate Financing: Internal Funds**

- 7.1. Patterns of Corporate Financing
- 7.2. Internal Financing
- 7.3. Advantages and inconveniences of Internal Financing

Basic bibliography:

ROSS, S; WESTERFIELD, R; JAFFE, J. (2010): Chapters 15.6, 17.7
BREALEY, R.; MYERS, S.; ALLEN. (2008): Chapter 15.1

8. External Financing

- 9.1. Financial System
- 9.2. Credit System Financing
- 9.3. Stocks and Bonds: definition, types, and value

Basic bibliography:

ROSS, S; WESTERFIELD, R; JAFFE, J. (2010): Chapters 8, 9
BREALEY, R.; MYERS, S.; ALLEN. (2008): Chapter 4.1, 4.2, 9.1, 15, 16.4, 16.5

WORKLOAD

ACTIVITY	Hours	% To be attended
Theory classes	30,00	100
Classroom practices	30,00	100
Attendance at events and external activities	2,00	0
Development of group work	4,00	0
Development of individual work	6,00	0
Study and independent work	5,00	0
Readings supplementary material	5,00	0
Preparation of evaluation activities	40,00	0
Preparing lectures	10,00	0
Preparation of practical classes and problem	10,00	0
Resolution of case studies	7,00	0
TOTAL	149,00	



TEACHING METHODOLOGY

-LECTURES: The students will prepare in advance the basic readings and the main questions that arise in these readings. The lecturer will combine explanations with the active participation of students (questions that the teacher can answer; resolution of brief questions raised by the lecturer; group discussion of the issues that have attracted interest.) It is intended that students develop both their capacity to autonomous work (work prior to class), and their ability to work together, argue and defend ideas (group discussions) together with the ability in oral and written communication.

-PRACTICAL CLASSES: Students will prepare in advance a set of exercises and case studies to work in the classroom. On the one hand, each student must individually prepare these tasks and, on the other hand, a group of students will prepare a set of exercises each week. Some of the tasks to be performed will be based on information searching in the websites of recognized institutions and press. It is intended that students develop their ability to organize group work, problem solving, oral and written communication, coordination of activities, and information searching.

The tasks completed by the students, individually and in teams, may be collected and assessed by the lecturer.

EVALUATION

1. **FINAL EXAM:** A written exam consisting of theoretical questions and problems. (80% of overall mark)

2. **PRACTICAL ACTIVITIES** during the course: experiments, work/reports, and/ or oral presentations. (20% of overall mark)

The final test is compulsory; it is required to pass it to pass the course.

The student passes the course if she/he gets 5 out of 10, from the total of 1, 2 (as long as the final test is passed). If the student fails the final exam, the final mark will never exceed 4.5 (out of 10).

REFERENCES



Basic

- Referencia b1: Ross, S. A.; Westerfield, R. W. & Jaffe, J. (2010): Corporate Finance

Referencia b2: Brealey, R.A., S.C. Myers & F. Allen (2008): Principles of Corporate Finance, 9e.
McGrawHill