

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

<b>Code</b>	35916
<b>Name</b>	Corporate finance
<b>Cycle</b>	Grade
<b>ECTS Credits</b>	6.0
<b>Academic year</b>	2020 - 2021

**Study (s)**

<b>Degree</b>	<b>Center</b>	<b>Acad. Period</b>
1314 - Degree in International Business	Faculty of Economics	4 First term

**Subject-matter**

<b>Degree</b>	<b>Subject-matter</b>	<b>Character</b>
1314 - Degree in International Business	29 - Corporate and international finance	Optional

**Coordination**

<b>Name</b>	<b>Department</b>
MARTINEZ MARTINEZ, BEATRIZ	172 - Business Finance

**SUMMARY**

This subject focuses on the tools and techniques of finance and how they are employed for the valuation of securities, essential knowledge for any student in International Business.

Students learn how to value assets given the forecasts of future cash flows. The course also concentrates on the risk characteristics of different asset classes, shares specially. The course deals with valuation of stocks, the tradeoff between risk and return, diversification, the capital asset pricing model, debt and dividend policies, and mergers and acquisitions.

This course emphasizes an intuitive and also rigorous understanding of the theory and practice of financial markets. It will combine the theoretical underpinnings of finance with real-world examples, including several case discussions. Mathematical tools will be employed.



## PREVIOUS KNOWLEDGE

### Relationship to other subjects of the same degree

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

### Other requirements

Knowledge on financial management and financial markets is required.

## OUTCOMES

### 1314 - Degree in International Business

- Ser capaz de modelizar la relación entre riesgo y rentabilidad existente en los mercados financieros.
- Comprender el efecto del endeudamiento y de la política de dividendos en el valor de mercado de la empresa y conocer las principales teorías desarrolladas al respecto.
- Conocer estrategias corporativas como las fusiones o adquisiciones, la optimización de la estructura financiera de la empresa, la identificación y evaluación de fuentes de financiación nacionales e internacionales, así como la diversificación de inversiones.

## LEARNING OUTCOMES

The student will be able to understand and analyze information from economics reports and markets.

The student will be able to understand and analyze the effect of financial decisions on value creation from the shareholders point of view.

He/she will learn to analyze the risk and return of financial assets.

He/she will learn the tools and techniques of portfolio selection.

He/she will learn how to use appropriate software.

He/she will learn to distinguish economic risk from financial risk, and understand their relation with financial (real) assets' expected return.

He/she will learn about interest conflicts existing in corporations.



## DESCRIPTION OF CONTENTS

### 1. UNIT 1 RISK AND RETURN

- 1 Introduction
- 2 Characteristics of financial assets
- 3 Portfolios and diversification

### 2. UNIT 2 THE MARKOWITZ PORTFOLIO SELECTION MODEL

- 1 Introduction
- 2 Markowitz and the portfolio selection
- 3 Efficient portfolios
- 4 Capital allocation and the separation property
- 5 The index model

### 3. UNIT 3 THE CAPITAL ASSET PRICING MODEL (CAPM)

- 1 Introduction
- 2 Assumptions behind the CAPM
- 3 Capital Market Line (CML)
- 4 Security Market Line (SML)
- 5 The CAPM and the index model

### 4. UNIT 4 THE CHOICE OF CORPORATE CAPITAL STRUCTURE

- 1 Introduction
- 2 Capital structure in perfect capital markets
- 3 Debt and taxes
- 4 Personal taxes (Millers model)
- 5 The costs of bankruptcy and financial distress

### 5. UNIT 5 PAYOUT POLICY

- 1 Introduction
- 2 Cash distributions to shareholders in perfect capital markets
- 3 The tax disadvantage of dividends
- 4 Dividend capture and tax clienteles
- 5 Signaling with payout policy

**6. UNIT 6 AGENCY THEORY AND FINANCIAL DECISIONS**

- 1 Introduction
- 2 The agency costs/benefits of leverage
- 3 Asymmetric information and capital structure
- 4 Agency costs and payout policy

**7. UNIT 7 MERGERS AND TAKEOVERS**

- 1 Introduction
- 2 Reasons to acquire
- 3 Takeover process
- 4 Takeover defenses
- 5 Who gets the value added from a takeover?

**WORKLOAD**

ACTIVITY	Hours	% To be attended
Theory classes	30,00	100
Classroom practices	30,00	100
Development of group work	40,00	0
Preparation of evaluation activities	15,00	0
Preparing lectures	35,00	0
<b>TOTAL</b>	<b>150,00</b>	

**TEACHING METHODOLOGY**

Attendance: An alert presence in each and every class is mandatory.

There will be **a two-hour lecture plus a two-hour practice session per week**, thus a total of four classroom hours per week.

- The lecturer will combine during the lecture his/her explanations with the active participation of the students (they should raise their doubts, try to help their classmates, and participate in discussions in group about the most controversial concepts). The objective is to improve the autonomous capacity of the students (individual work at home previous to the lecture) as well as their ability to work in groups, to argue and defend ideas (debate groups), and their oral and written communication skills. Students will be expected to have completed the assigned readings before class and review them after class.
- Practice sessions will consist of solving exercises, working on case studies, workshops, presentations and discussions, etc. Weekly problem sets will be assigned throughout the course to illustrate and reinforce the concepts presented in class as well as.
- Lecture slides, practice sessions guidelines and relevant materials can be found at [www.aulavirtual.uv.es](http://www.aulavirtual.uv.es).
- Students would be expected to work in groups in preparation of the projects that will be presented



in class.

## EVALUATION

The course grade for the students registered in the group who attend classes regularly will be given by the sum of:

1) The final exam. The final exam will be administered according to the official schedule. It will include theoretical and practical questions and problems or case studies to be solved. It will cover all the units, and 70% of the total grade can be obtained in this exam.

In order to get a passing grade at the end of the term, **the student should have a minimum mark (3.5 points out of 7) on this final exam.**

2) Continuous assessment of the tasks developed by the student during the term. These tasks comprise individual exercises handed in and group presentations and discussions in classroom. The participation in the classroom and the attitude towards classmates will influence also the marks obtained in the continuous assessment.

In this respect, 30% of the total grade can be gained with this part of the continuous assessment.

**To pass the course the student should have a minimum grade of 5 out of 10**

**Remark:** The sum of all the weighted previous marks will be the final grade achieved (as long as the final exam is passed). If the final exam is failed, the final mark will never exceed 4.5 (out of 10).

## REFERENCES

### Basic

- BERK ET AL. Fundamentals of corporate finance. Ed. Pearson Education 2012.
- BERK, and DEMARZO. Corporate Finance. Ed. Pearson Education 2011.

### Additional

- BODIE, Z., R.A., A. KANE, and A. MARCUS. Investments. Ed. Mc Graw-Hill 2009
- HILLIER, GRINBLATT, and TITMAN. Financial markets and corporate strategy. Ed. Irwin-McGraw-Hill, 2008
- HILLIER, ROSS, WESTERFIELD, JAFFE, and JORDAN. Corporate Finance. Ed. McGraw-Hill 2010.





## ADDENDUM COVID-19

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

This addendum would be applied only if necessary, as established by the university authorities based on the evolution of the pandemic.

- 1. Contents.** In its case, the contents initially programmed in the teaching guide would be maintained, adapting the topics that could not be explained in person to the non-classroom teaching methodology.
- 2. Volume of work and temporary planning.** The topics that, when applicable, could not be explained through face-to-face classes would be implemented through non-face-to-face teaching, maintaining proportionally the volume of work established in the teaching guide. The schedule would be adapted to the evolution of the events.
- 3. Teaching methodology.** When applicable, the one that best suits the working method and technical possibilities would be used, being able to choose from a wide range of available resources: activities in the Aula Virtual (<https://aulavirtual.uv.es>), live conferences or delayed, web links, forums, theoretical explanations and problems solved in different supports (text documents, spreadsheets, presentations ...), online or email tutoring.
- 4. Evaluation.** When applicable, the continuous assessment would be adapted proportionally to the situation of non-attendance, acquiring greater weight in the global evaluation (it may even constitute 100%) and being implemented through tests in the Aula Virtual. The final exam is expected to be face-to-face; however, in the event that the university authorities establish that it is impossible to conduct it in person, it would be carried out using an Aula Virtual questionnaire and its weight would be adapted to that required by the continuous evaluation.
- 5. Bibliography.** When applicable, the bibliography would be complemented with information on the Internet, giving priority to free material.