

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

Code	35944
Name	Analysis and evaluation of business investment
Cycle	Grade
ECTS Credits	6.0
Academic year	2020 - 2021

Study (s)

Degree	Center	Acad. Period
1315 - Degree in Finance and Accounting	Faculty of Economics	2 Second term

Subject-matter

Degree	Subject-matter	Character
1315 - Degree in Finance and Accounting	15 - Foundations of corporate finance	Obligatory

Coordination

Name	Department
MEDAL BARTUAL, MARIA AMPARO	172 - Business Finance

SUMMARY

Analysis and valuation of business investment is a 6 ECTS credit compulsory subject assigned to the Finance module and, within it, to the area of Fundamentals of Corporate Finance. Within the temporary distribution of the subjects in the degree of Finance and Accounting it is located in the second term of the second year.

This subject is the student's first contact with corporate finance. It introduces the fundamental financial decisions in the company, addressing some of them in greater depth and establishing the basis for further development in other subjects of the Finance module. Thus, from the definition of the basic tasks of the financial director, that is, the decisions of productive investment, financing decisions, and the adjustment of the inflows and outflows of money in the company, the subject deepens in the analysis, the valuation and selection of business investment projects. For this, we start from the objective of financial decisions in the company and study the theoretical foundations of investment decisions, coming to define one of the most important concepts in the valuation of productive investments: the opportunity cost of capital.



For methodological reasons, we undertake the determination of the money generated by the investment project (free cash flows) and the study of the different objective criteria that allow the valuation of productive investment decisions in the company in a context of certainty. Subsequently, we extended this study to more realistic environments, contemplating the existence of uncertainty in the estimation of free cash flows, risky projects, investments with financial restrictions, etc.

To carry out the analysis of risky investment projects it is necessary to introduce the relationship between expected return and risk in the financial market. These concepts are studied at a basic level based on portfolio selection models and financial asset valuation models.

It is obvious to point out that today any company needs professionals in the financial field capable of making the best investment decisions, a need that is accentuated in the context of uncertainty derived from the current economic situation. If making the best investment decisions has always conditioned the development and continuity of the company, today it is presented as an essential requirement for its survival.

Without detracting from the importance that the 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 correspond to Finance. Therefore, it is necessary that students understand why companies and markets behave in a certain way, that is, they need to know the theoretical foundations of investment decision making and how, through these decisions, to increase the market value of the firm.

PREVIOUS KNOWLEDGE

Relationship to other subjects of the same degree

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

Other requirements

No enrolment restrictions have been specified with other subjects of the curriculum.

For a follow-up on the subject, students should have different knowledge and tools acquired in the subjects of Financial Accounting I (second term of the first year), Financial Accounting II (second year), Statistics I (second term of the first year), Statistics II and Financial Mathematics (both in the first term of the second year).

COMPETENCES (RD 1393/2007) // LEARNING OUTCOMES (RD 822/2021)

1315 - Degree in Finance and Accounting

- CM4FYC 2 Capacidad para aplicar correctamente un modelo de valoración común para el análisis de las operaciones financieras de inversión y financiación.
- Capacidad para analizar y valorar las inversiones productivas de la empresa.



- Conocer los instrumentos de soporte financiero para las empresas y sus implicaciones sobre el valor.
- CM4FYC 10 Capacidad para valorar y gestionar carteras de activos financieros.

LEARNING OUTCOMES (RD 1393/2007) // NO CONTENT (RD 822/2021)

As a result of the learning process, the student will know concepts such as:

1. Basic knowledge for the identification and use of mathematical techniques proper to financial valuation.
2. Ability to correctly interpret the financial information extracted from specific applications and cases in the financial world.
3. Ability to analyse and value the productive investments of the company.
4. Ability to apply analytical techniques for valuation of equity instruments.
5. Identification and valuation of the assets risk.
6. Design and application of portfolio management strategies for financial assets.

DESCRIPTION OF CONTENTS

1. CORPORATE FINANCES AND THE FINANCIAL DIRECTOR

- 1.1. Introduction to corporate finance.
- 1.2. Tasks of the financial director.
- 1.3. The objective of financial decisions in the company.
- 1.4. Separation between property and management.

2. THEORETICAL BASICS OF INVESTMENT DECISIONS AND VALUATION CRITERIA

- 2.1. The role of financial markets: consumer decisions.
- 2.2. Existence of productive investment opportunities: Fishers Separation Theorem.
- 2.3. The Net Present Value criterion.
- 2.4. The Internal Rate of Return.
- 2.5. Other valuation criteria.

3. CONSIDERATIONS IN ESTIMATING NET CASH FLOWS

- 3.1. Cash flows estimation.
- 3.2. Incremental cash flow concept.
- 3.3. Consideration of inflation.



4. MAKING INVESTMENT DECISIONS WITH THE CRITERIA OF THE CURRENT NET VALUE

- 4.1. Selection of mutually exclusive investment projects.
- 4.2. Selection of projects of different duration.
- 4.3. Selection of projects when financial resources are limited.

5. INTRODUCTION TO THE RISK, PERFORMANCE AND COST OF CAPITAL OPPORTUNITY

- 5.1. Relationship between return and risk in the financial market.
- 5.2. Return measurement and risk for individual assets and portfolios.
- 5.3. Diversification concept.
- 5.4. The relationship between the return of an asset or portfolio and the market portfolio.

6. CAPITAL AND RISK BUDGET

- 6.1. Cost of capital of the company and the project.
- 6.2. Use of the firms cost of capital to value investment projects.
- 6.3. Determination of the discount rate when the firms cost of capital cannot be used.
- 6.4. Determination of the discount rate when the beta is not available.

7. PROJECT ANALYSIS TECHNIQUES

- 7.1. Sensitivity analysis.
- 7.2. Scenarios analysis.
- 7.3. Break-even analysis.
- 7.4. Sequential decisions.

8. THE PROCESS IN THE DESIGN OF THE INVESTMENT STRATEGY

- 8.1. The process of capital investment.
- 8.2. Agency problems in the investment decisions.
- 8.3. Economic income and competitive advantage.
- 8.4. Measurement and reward of the result: residual benefit and EVA.
- 8.5. Biases in the accounting measures of the result.

**WORKLOAD**

ACTIVITY	Hours	% To be attended
Theory classes	30,00	100
Computer classroom practice	15,00	100
Classroom practices	15,00	100
Attendance at events and external activities	2,00	0
Study and independent work	66,00	0
Readings supplementary material	2,00	0
Resolution of case studies	20,00	0
TOTAL	150,00	

TEACHING METHODOLOGY

Given the size of the groups, in the theoretical classes the basic methodology to use is the master class, although the debate and the participation of the student in it will be encouraged. The objective is to transmit the theories and models related to the Financial Management of the company, in such a way that the student obtains the theoretical bases necessary for the later practical reasoning in financial terms.

In the practical classes problems and cases will arise in the field of the subject with the aim that the students are able to synthesise the relevant information and from it, understand and solve the problems related to business investment decisions.

The practices developed in the computer classroom are complementary to the practices described above. These sessions will allow us to broaden the complexity and realism of the issues addressed through the use of specific programs and technologies. With all this, students must reach the proposed capacities, knowing and correctly applying the valuation models of the productive investments of the company, and being able to value and manage portfolios of financial assets in the defined contexts

EVALUATION

In order to evaluate the learning of the subject, a diversified evaluation system will be used, which will make it possible to highlight the knowledge and skills acquired by the students.

On the one hand, a written exam that will consist of a battery of test questions and practical exercises. With the test type questions, the student's general knowledge of the subject is determined, while the practical exercises are intended to assess the student's ability to synthesise the relevant information and apply the theoretical knowledge to solve the problems posed. In this written exam, the maximum grade of each part (theoretical and practical) will be specified and a minimum grade will be required in each of them as a necessary requirement to make the sum of the grades obtained in both parts. The written exam will be 80% of the final grade of the subject.



On the other hand, the remaining 20% of the grade will be the continuous evaluation. This will be the result of the evaluation of formative activities that the teacher determines throughout the course, such as: tasks and practical exercises either at the classroom or at home, basic knowledge tests, as well as assistance and student's active attitude in the classroom (the latter is not mandatory or essential to pass the subject).

The purpose and nature of these continuous assessment tests is to encourage and evaluate the work and progressive and continuous learning of the student throughout the course, as specified in Article 6 point 3 of the Regulation of Evaluation and Qualification of the University of Valencia for degree and master's degrees, which states: "Continuous evaluation is one of the basic criteria of teaching programming, and must be understood as a tool of the teaching-learning process that informs students on their progress and values it". Given the finalist nature of these continuous assessment tests, they will not be recoverable on second call.

In any case, it will be an essential requirement to have passed the synthesis test so that the grade obtained in the continuous assessment is computed. If in the first call the synthesis test is not passed, the continuous evaluation grade will be saved for the second call.

The rating system will be expressed by numerical rating in accordance with the provisions of art. 5 of R.D. 1125/2003, of September 5, which establishes the European system of credits and the system of qualifications in university degrees of an official nature and validity in the national territory.

REFERENCES

Basic

- BLANCO, F; FERRANDO, M. y MARTÍNEZ, M.F. (2015). Teoría de la Inversión. Pirámide. Madrid.
- BERK, J., DEMARZO, P. y HARDFORD, J. (2010). Fundamentos de Finanzas Corporativas. Pearson.
- BREALEY, R., MYERS, S. y ALLEN, F. (2010). Principios de Finanzas Corporativas. McGraw-Hill. Madrid.
- ROSS, S., WESTERFIELD, R.W. y JAFFE, J.F. (2009). Finanzas Corporativas. Irwin. Madrid.

Additional

- BREALEY, R., MYERS, S. y MARCUS, A.J. (1996). Principios de Dirección Financiera. McGraw-Hill. Madrid.
- FERRANDO, M., GÓMEZ, A.R., LASSALA, C., PIÑOL, J.A. y REIG, A. (2005). Teoría de la Financiación I. Pirámide. Madrid.
- GÓMEZ, A.R., PIÑOL, J.A., REIG, A. y RODRIGO, A. (2006). Teoría de la Financiación II. Pirámide. Madrid.



- SUÁREZ SUÁREZ, A. S. (2005). Decisiones óptimas de inversión y financiación en la empresa. Pirámide. Madrid.

ADDENDUM COVID-19

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

1. Contents

All the contents initially programmed in the teaching guide are maintained, with the proper adaption to the teaching methodology.

2. Workload

Temporary maintenance of planning days and hours following the instructions given by teachers.

3. Teaching Methodology

The modality of classes for students will depend on the social and health conditions and the restrictions established by the competent authorities.

In the case of online teaching, classes will be given by videoconference, preferably synchronous, using Blackboard Collaborate, Teams, Skype or the tool that the lecturer considers appropriate to optimize the student's teaching-learning process during the scheduled program sessions, which remain the same days and times.

In the case of blended teaching, the students will have to access the classroom in alternate weeks according to the initial of their last name (A-M or L-Z). The classes will be broadcast so that the students will have face-to-face teaching one week, and the next week they will follow the classes in streaming.

Regarding the tutorials, the student may ask their doubts or questions to the teacher via email or request a tutorial by videoconference. In the latter case, you must coordinate with the teacher of the subject (theory or practice) to arrange the time of tutoring.

4. Evaluation

The continuous evaluation will consist of different tests directed by each teacher (online questionnaires, activities and / or exercises to be solved and delivered within the period determined by the teacher).

The continuous evaluation will have the status of recoverable because the actual circumstances. Recovery will be implemented by giving more weight to the final exam that the student takes.

5. References

No changes.