

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

Code	35944
Name	Analysis and evaluation of business investment
Cycle	Grade
ECTS Credits	6.0
Academic year	2022 - 2023

Study (s)

Degree	Center	Acad. year	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 when financial resources are limited.
- 4.3. Selection of projects of different duration.

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, 80% of the mark will be the result of a test of synthesis or written EXAM, which will consist of a battery of questions of a test and practical exercises. With multiple choice questions seeks to determine the general knowledge of the student regarding the matter, while with the practical exercises it is intended assess the student's ability to synthesize relevant information and apply theoretical knowledge to solve problems raised. In this synthesis test the score will be specified maximum of each part (theoretical and practical) and a score will be required minimum in each of them as a necessary requirement to carry out the sum of the grades obtained in both parts. The exam will mean 80% of the final grade for the course.



On the other hand, the remaining 20% of the grade will correspond to the continuous assessment. This will be the result of performing different tests that will be carried out throughout the course in computer room. These tests will be specified by the teacher or teacher of practices in the computer room and they will have to apply the knowledge acquired in the subject.

Given the finalist nature of continuous evaluation, it will not be recoverable in first call, but if it can be recoverable in second call.

Specifically, in the first call it will be possible to obtain a maximum of 8 points on the written EXAM. This note will be completed with the note of the continuous evaluation (up to a maximum of 2 points), PROVIDED HAS PASSED THE EXAM (minimum of 4 points out of 8). yes first call is not passed the EXAM, the final mark will be that of the exam and the note of the continuous evaluation can be saved for the second announcement.

In the second call, there are two options: if the continuous evaluation (at least 1 point has been obtained over the 2 possible points that can be obtained), the final EXAM will have a maximum score of 8 points, which will be completed with the grade obtained in continuous assessment. Otherwise, if the continuous evaluation, the EXAMINATION of the second call will allow get up to 10 points. In any case, on second call the student will be able to choose the option that benefits him the most.

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.