

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

Code	36796
Name	Finance
Cycle	Grade
ECTS Credits	6.0
Academic year	2023 - 2024

Study (s)

Degree	Center	Acad. year	Period
1933 - Double Degree in Law and Economics_2022	Faculty of Economics	3	First term

Subject-matter

Degree	Subject-matter	Character
1933 - Double Degree in Law and Economics_2022	3 - Asignaturas de tercer curso	Obligatory

Coordination

Name	Department
CABALLER TARAZONA, VICENT	172 - Business Finance
SUSO LOPEZ, MARIA JULIA	113 - Financial and Actuarial Economics

SUMMARY

This is a compulsory subject that provides an introductory overview of the field of finance (or financial economics) especially designed for a specialized degree in economics, with emphasis on asset valuation and personal investment and risk management decisions.

From a theoretical point of view, this course highlights the basic conceptual pillars of finance, in order to contribute to approach the study of the subject from a solid foundation. This basis will be useful both for this course as well as in a possible more advanced study later on. From a practical point of view, the applied side of finance - one of the most useful branches of economics for the daily decision making of individuals and companies - is extensively illustrated.



We hope that both the dual conceptual and practical aspects will awaken the students' interest in financial economics, a subject of great importance both for the understanding of the current functioning of the economies in the western countries, and for the daily management of the financial affairs of economic agents.

Students may subsequently complete their study of finance in two advanced electives: Corporate Finance (dedicated to the financial decisions of the companies) and Financial Markets and Banking Operations (dedicated to advanced aspects related to the financial system, fixed-income markets and banking intermediaries).

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 previous knowledge in any financial subject is required.

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

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

- The student will learn the notion of interest rate and term structure of interest rates.
- He/she will learn how to apply methods of valuation of bonds and stocks.
- 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.

DESCRIPTION OF CONTENTS

1. FINANCIAL ASSETS AND TIME VALUE OF MONEY

The aim of this unit is to provide a general survey on the basic concepts about the financial exchanges in a deterministic environment (not random). It focuses in the key tools and techniques and how they are employed for the valuation of fixed and variable income assets that we will develop in the next units.

1. Financial System
2. Financial Transactions.
3. Simple and Compound Interest Law.
4. Financial Sum.



2. FIXED INCOME SECURITIES VALUATION

This unit provides a detailed study about the concept, characteristics and valuation of the more important fixed income securities.

1. Short term fixed income securities valuation (Treasury Bills, Commercial Papers).
2. Medium and long term fixed income securities (Bonds, Government Bonds).

3. INTEREST RATE RISK

This unit is dedicated to the analysis of interest rate risk. Given that unanticipated changes in interest rates can happen, is needed to analyze the consequences that these changes imply in managing fixed income portfolios.

1. Valuation of financial operations and interest rates.
2. Interest Rate Risk.
3. Reinvestment Risk and financial immunization
4. Yield Curve

4. VALUATION OF VARIABLE INCOME ASSETS (STOCK)

1. Basic notions (characteristics, price and risk).
2. Factors determining the price of stocks.
3. The dividend discount model.
4. Other valuation models.

5. RISK AND RETURN

1. Risks and returns of stocks
2. Historical risks and returns of stocks
3. Expected return and risk for stock portfolios.
4. Systematic versus unsystematic risk

6. EQUITY RISK MANAGEMENT AND FINANCIAL DERIVATIVES

1. Diversification and the concept of efficient portfolio.
2. Measuring systematic risk.
3. The capital asset pricing model (CAPM)
4. Financial derivatives



WORKLOAD

ACTIVITY	Hours	% To be attended
Theoretical and practical classes	60,00	100
Study and independent work	90,00	0
TOTAL	150,00	

TEACHING METHODOLOGY

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.
- Students will be expected to work in groups in preparation of the projects that will be presented in class.

EVALUATION

REFERENCES

Basic

- NAVARRO, E. y J.M. NAVE: Fundamentos de Matemáticas Financieras. Ed. Antoni Bosch. Barcelona, 2001



- GRINBLATT, M. y S. TITMAN: Mercados Financieros y Estrategia Empresarial. Ed. Mc Graw-Hill. Madrid 2010
- ROSS, S; WESTERFIELD, R; JAFE, J. (2010): Corporate Finance, 9 edition. McGraw-Hill International Edition
- BERK ET AL. (2010): Fundamentos de Finanzas Corporativas. Ed. Prentice Hall. Madrid 2010

Additional

- BODIE, Z., R.A., A. KANE y A. MARCUS.: Principios de Inversiones. Ed. Mc Graw-Hill. Madrid 2004
- BREALEY, R.A., MYERS, S.C. ALLEN, F.: Principios de finanzas corporativas. Ed. Mc Graw-Hill. México 2010

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