COURSE DESCRIPTION

BUSINESS FINANCE

3rd Year | 1st Semester

Degree: Business Administration

In-Class Teaching

Academic Year: 2019/2020

School of Business and Economics
1. COURSE IDENTIFICATION

1.- COURSE:

| Name: | BUSINESS FINANCE |
| Code: | b304 |
| Year (s) course is taught: | 3º |
| Semester (s) when the course is taught: | 1º |
| Type: | Compulsory |
| ECTS of the course: | 6 |
| Hours ECTS: | (30) |
| Language: | English and Spanish |
| In-class teaching: | |
| Degree (s) in which the course is taught: | Business Management |
| School of Business and Economics: | |

2.- ORGANIZATION OF THE COURSE:

| Department: | Business Economics |
| Area of knowledge: | Finance and Accounting |

2. LECTURERS OF THE COURSE

1.-LECTURERS:

<table>
<thead>
<tr>
<th>Instructor in charge</th>
<th>CONTACT DETAILS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>RICARDO PALOMO</td>
</tr>
<tr>
<td>Phone (ext):</td>
<td>914566300-5428</td>
</tr>
<tr>
<td>Email:</td>
<td><a href="mailto:palzur@ceu.es">palzur@ceu.es</a></td>
</tr>
<tr>
<td>Office:</td>
<td>1.06B</td>
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<table>
<thead>
<tr>
<th>Instructor in charge</th>
<th>CONTACT DETAILS</th>
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<tbody>
<tr>
<td>Name</td>
<td>José Luis Mateu</td>
</tr>
<tr>
<td>Phone (ext):</td>
<td>5421</td>
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<tr>
<td>Email:</td>
<td><a href="mailto:matgor@ceu.es">matgor@ceu.es</a></td>
</tr>
<tr>
<td>Office:</td>
<td>1.07b</td>
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<thead>
<tr>
<th>Instructor in charge</th>
<th>CONTACT DETAILS</th>
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<tbody>
<tr>
<td>Name</td>
<td>Encina Morales</td>
</tr>
<tr>
<td>Phone (ext):</td>
<td>1.02b</td>
</tr>
<tr>
<td>Email:</td>
<td><a href="mailto:memorales@ceu.es">memorales@ceu.es</a></td>
</tr>
<tr>
<td>Office:</td>
<td>5519</td>
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<table>
<thead>
<tr>
<th>Instructor in charge</th>
<th>CONTACT DETAILS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Javier del Arco</td>
</tr>
</tbody>
</table>
2.- TUTORIALS:
For any queries students can contact lecturers by e-mail, phone or visiting their office during the teacher’s tutorial times published on the students’ Virtual Campus.

3. COURSE DESCRIPTION
The course contained in this guide can be considered basic or primary because chronologically it is often established as the first specific subject of finance. The financial calculus developed in this subject and the concepts and operation of corporate finance are essential for progress in further study of corporate finance. It contains basic concepts such as capitalization and discount operations, calculation of yields and the cost of financial sources of the company. It is an essential course for the development of other subjects such as financial management and financial instruments.

4. SKILLS
1.- SKILLS

<table>
<thead>
<tr>
<th>Code</th>
<th>Basic and General Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>BS1</td>
<td>Students should have demonstrated that they have gained knowledge of and understand an area of study at a level beyond secondary education that, even though based on advanced textbooks, it also includes aspects that are acquired from knowledge deriving from the state-of-the-art of the field of study.</td>
</tr>
<tr>
<td>BS2</td>
<td>Students should know how to apply their knowledge to their work or vocation in a professional manner and should have the skills that are usually demonstrated by compiling and defending arguments and resolving problems within their area of study.</td>
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</table>
BS3  Students should have the capacity to collect and interpret relevant data (usually within their area of study) to form opinions based on reflection on relevant topics of a social, scientific or ethical nature.

GS1  Capacity for analytical and critical thinking

<table>
<thead>
<tr>
<th>Code</th>
<th>Specific Skills</th>
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<tbody>
<tr>
<td>SS2</td>
<td>Capacity to identify, formulate and resolve problems, applying professional criteria and understanding the competitive and institutional position of the organization, identifying its strengths and weaknesses.</td>
</tr>
<tr>
<td>SS4</td>
<td>Capacity of critical analysis in quantitative and qualitative terms, including data analysis, interpretation and extrapolation to a given business reality.</td>
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2.- LEARNING OUTCOMES:

<table>
<thead>
<tr>
<th>Code</th>
<th>Learning outcomes</th>
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<tbody>
<tr>
<td>RA1</td>
<td>Identify the characteristics of a financial transaction</td>
</tr>
<tr>
<td>RA2</td>
<td>Quantify both the financial cost of the financial sources and the cost of capital in the company</td>
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5. EDUCATIONAL ACTIVITIES

1.- DISTRIBUTION OF STUDENTS’ ASSIGNMENT:

Total hours of the course 6ECTS X 30 = 180

<table>
<thead>
<tr>
<th>Code</th>
<th>Name</th>
<th>On-campus hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>EA2</td>
<td>SEMINAR</td>
<td>51</td>
</tr>
<tr>
<td>EA3</td>
<td>PRACTICAL WORKSHOP</td>
<td>4</td>
</tr>
<tr>
<td>EA4</td>
<td>PRACTICE</td>
<td>4</td>
</tr>
<tr>
<td>TOTAL</td>
<td>Hours</td>
<td>59</td>
</tr>
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<table>
<thead>
<tr>
<th>Code</th>
<th>Name</th>
<th>Not on-campus hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>EA0</td>
<td>Independent work</td>
<td>121</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>Educational Activity</th>
<th>DEFINITION</th>
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<tr>
<td>Independent Work (EA0)</td>
<td>Educational activity whereby students independently manage their own learning by the study of the course material.</td>
</tr>
<tr>
<td>Seminar (EA2)</td>
<td>Educational activity focused especially on the competence of the students to develop the learning skills enabling them to assimilate content acquired beforehand, while relating economic concepts and those of similar and/or auxiliary disciplines and different theoretical and methodological approaches.</td>
</tr>
</tbody>
</table>
Students study each subject in depth to a large extent independently. This educational activity is also centered on encouraging students to acquire the skills necessary to communicate their conclusions – and the understanding and underlying reasons supporting them – to both the specialist and non-specialist public clearly and unequivocally. Priority is given to the participation of students and their sharing of the reasoned interpretation of knowledge and the sources of their fields of study, all of which is coordinated by the professor.

Practical Workshop (EA3)
Educational activity focused especially on the competence of the students to use specific methodologies for resolving problems of a practical nature encountered by economists in their most applied aspects and/or the information technology tools relevant to each subject. Priority is placed on students undertaking practical activities focused on data manipulation and selection of quantitative and/or qualitative information for purposes of extracting/drawing relevant conclusions.

Practice (EA4)
Educational activity focused especially on the competence of the students to collect, manipulate and process relevant data and variables for economic, statistical, financial, accounting and tax analyses. Priority is placed on students undertaking activities that involve the application of theoretical and/or technical knowledge acquired, which may be done individually or in a group, depending on the subject and the skills to be acquired.

6. ASSESSMENT OF LEARNING

1.- CLASS ATTENDANCE:

- In order to be eligible for examination by continuous assessment students must attend at least 75% of scheduled class time (attendance sheets will be used). As students may be absent 25% of the classes, no attenuating circumstances will be accepted for absences.

- Students that may not meet the minimum percentage of assistance of the course must have justified reason to do so and it has to be notified to the lecturer at the beginning of the course. In this case, the lecturer will establish an adequate planning for the student to pass the course. If this communication is not done in due time and manner, will be evaluated on the same criteria as the ones attending to class.

2.- ASSESSMENT SYSTEM AND CRITERIA:

<table>
<thead>
<tr>
<th>ASSESSMENT CRITERIA</th>
<th>Code</th>
<th>Name</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Written or computer-based examination on exercises, problems, cases, and so forth.</td>
<td>AS4</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Submission of exercises.</td>
<td>AS9</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Written examination on reasoning questions.</td>
<td>AS3</td>
<td>20%</td>
<td></td>
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ORDINARY EVALUATION:

Continued evaluation includes:

- Tests and practical cases (20%): Specific tests of evaluation of the knowledge acquired by the student throughout the course, which may be specified in short questions about the theory taught and/or exercises or practical cases that can be done manually or using spreadsheets.
- Workshop and Assignments (30%): It includes the participation of the students through readings, elaboration and presentation of practical cases, with Excel computer simulations, APPs or Bloomberg.
- Final Exam (50%): consists of a written examination of theoretical-practical questions, which may be analysis and development of cases, or even test type with the contents discussed in class and officially included in the program.

In order to pass the subject, the student has

- to obtain at least 4.5 points (in sum) in the final exam and
- to obtain, at least, 5 points by summing all tests.

Once the calendar of activities or in-class tests (exams, practices, exercises, assignments, presentations, etc.) has been set up in advance, in order to guarantee equality of conditions for all students, these tests will not be repeated for the students that they did not attend classes, except causes of force majeure.

EXTRAORDINARY EVALUATION

- Any student, who does not pass the Ordinary Evaluation, has to sit the final exam in the Extraordinary Evaluation that will include the totality of the content of this subject.
- The exam can include questions about any of the work realized throughout the course.

The final exam consists of a written exam of theoretical and practical questions, and a number of case studies.

7. COURSE SYLLABUS

1.- COURSE SYLLABUS:

THEORETICAL:

CHAPTER 1: BUSINESS FINANCE AND FINANCIAL CALCULUS
Financial economics. Significance and contents.
Financial function in the company
Financial goals in the company and value creation.
Financial decisions in the company: investment, funding and liquidity

CHAPTER 2: FINANCIAL CALCULUS: THE TIME VALUE OF MONEY.
Time value of money: Cash flows and their timing
Interest rates: simple interest, compound interest and continuous compound interest.
The financial standards and rules of capitalization and discount.
  - Simple capitalization
  - Compound capitalization
  - Simple discount rates
  - Compound discount rates
  - Commercial discount rates
  - Capitalization factor and discount factor
Financial calculator and Excel sheet case
CHAPTER 3: PROFITABILITY OF THE FINANCIAL TRANSACTIONS
Annual percentage rate of charge (APR) and Effective Interest Rate (EFF) in fractionated capitalization periods
• EFF calculus
• Casuistry in the EFF and APR calculus
Estimating financial transactions return
Nominal Return and Real Return with inflation
Time-Weighted Rate of Return
Internal Rate of Return
External Rate of Return. Application to the yield curve
Financial calculator and Excel sheet case

CHAPTER 4: ANNUITIES
Immediate annuities
• Temporary variable annuities, in arrears and in advance.
• Temporary level annuities and level perpetuities, in arrears and in advance.
• Temporary variable annuities and variable perpetuities, geometric progression.
Annuities in arrears deferred and Annuity-due deferred
Fractional annuities
Financial calculator and Excel sheet case

CHAPTER 5: APPLICATION OF ANNUITIES TO THE WEIGHTED AVERAGE COST OF CAPITAL (WACC)
Classification of financial sources for companies
Financial calculus of own resources
• Funding by own resources
• The cost of own resources (common equity)
Financial calculus of external resources
• Funding by external resources
• The cost of external resources (bonds and loans)
• Methods of loans amortization
The calculus of Weighted Average Cost of Capital

CHAPTER 6: FINANCIAL STRUCTURE AND OTHER TYPES OF BUSINESS FINANCE
Short-term company financing
Additional means and hybrid financing
Financial gearing: relationship among performance, risk and financial structure
Optimal company financial structure
Dividend policy and cost

8. RECOMMENDED READING

1.- BASIC BIBLIOGRAPHY:

## 2.- ADDITIONAL BIBLIOGRAPHY:

**SPANISH:**


Madrid.

ENGLISH:
HULL, J.: Options, Futures, and Other Derivatives, Prentice Hall Series in Finance

3.- WEB RESOURCES:
www.bde.es
www.economist.com/markets
www.finance.yahoo.com
www.informercados.com
www.edufinet.es
www.dialnet.es
www.finanzas.com
www.iberfinanzas.com
www.ahe.es

9. ATTITUDE IN THE CLASSROOM

1.- REGULATIONS

Any irregular act of academic integrity (no reference to cited sources, plagiarism of work or inappropriate use of prohibited information during examinations) or signing the attendance sheet for fellow students not present in class will result in the student not being eligible for continuous assessment and possibly being penalized according to the University regulations.

The student must show the right attitude in the classroom in accordance with the rules of the Faculty and the University. This implies attending regularly and on time, as well as having a participatory attitude in the classroom, doing the work or exercises required.

The teaching unit will also decide in each case, the penalty applies to those students who are expelled from the classroom.