COURSE DESCRIPTION

FINANCIAL MANAGEMENT
3RD YEAR / 2ND SEMESTER
DEGREE: BUSINESS ADMINISTRATION
IN-CLASS TEACHING
ACADEMIC YEAR: 2020/2021
SCHOOL OF BUSINESS AND ECONOMICS
1. COURSE IDENTIFICATION

1.- Subject:

Name: Financial Management
Code: b308 - 13283
Year(s) course is taught: 3rd Year
Type: Compulsory Subject
ECTS of the course : 6

| Semester in when the course is taught: | Second |
| Language: | Spanish/English |
| Degree in which the course is taught: | Business Administration |
| School which the course is taught: | School of Business & 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>Javier ITURRIOZ DEL CAMPO</td>
</tr>
<tr>
<td>Phone (Ext):</td>
<td>914566300 (15490)</td>
</tr>
<tr>
<td>Email:</td>
<td><a href="mailto:itucam@ceu.es">itucam@ceu.es</a></td>
</tr>
<tr>
<td>Office:</td>
<td>1:07 B</td>
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<table>
<thead>
<tr>
<th>Lecturer</th>
<th>CONTACT</th>
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</thead>
<tbody>
<tr>
<td>Name:</td>
<td>Maria Encina MORALES DE VEGA</td>
</tr>
<tr>
<td>Phone (Ext):</td>
<td>914566300 (5519)</td>
</tr>
<tr>
<td>Email:</td>
<td><a href="mailto:memorales@ceu.es">memorales@ceu.es</a></td>
</tr>
<tr>
<td>Office:</td>
<td>1:02B</td>
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<table>
<thead>
<tr>
<th>Lecturer</th>
<th>CONTACT</th>
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<tbody>
<tr>
<td>Name:</td>
<td>Elizabeth FRANK</td>
</tr>
<tr>
<td>Phone (Ext):</td>
<td>914566300 (5408)</td>
</tr>
<tr>
<td>Email:</td>
<td><a href="mailto:elizabeth.frank@ceu.es">elizabeth.frank@ceu.es</a></td>
</tr>
<tr>
<td>Office:</td>
<td>1:11B</td>
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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

This course allows the student to perform an in-depth analysis of productive investments from a business perspective. This requires the computation of cash flows and the application of different methods of investment valuation, analyzing both, the investment and the financing. In the second part of the subject, the valuation of investments is carried out including the effects of uncertainty by applying different techniques.

4. SKILLS

1.- SKILLS:

<table>
<thead>
<tr>
<th>Code</th>
<th>Basic and General Skills</th>
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<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 text books, 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>
</tr>
<tr>
<td>BS3</td>
<td>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.</td>
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<table>
<thead>
<tr>
<th>Code</th>
<th>Specific Skills</th>
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<tbody>
<tr>
<td>GS1</td>
<td>Capacity for analytical and critical thinking</td>
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2.- LEARNING OUTCOMES:

<table>
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<tr>
<th>Learning outcomes</th>
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<tbody>
<tr>
<td>Evaluating the different investment alternatives offered by the market.</td>
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<tr>
<td>Taking investment decisions and financing decisions in the company.</td>
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5. LEARNING ACTIVITIES

1.- DISTRIBUTION OF STUDENTS’ ASSIGNMENT:

<table>
<thead>
<tr>
<th>Code</th>
<th>Name</th>
<th>On-campus hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>EA2</td>
<td>Seminars</td>
<td>52</td>
</tr>
<tr>
<td>EA3</td>
<td>Workshops</td>
<td>4</td>
</tr>
<tr>
<td>EA4</td>
<td>Individual Practices</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td><strong>Total hours</strong></td>
<td><strong>59</strong></td>
</tr>
</tbody>
</table>

<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>

2.- EDUCATIONAL ACTIVITIES:

<table>
<thead>
<tr>
<th>Educational Activity</th>
<th>DEFINITION</th>
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<tbody>
<tr>
<td><strong>Independent Work (EA0)</strong></td>
<td>Educational activity whereby students independently manage their own learning by the study of the course material.</td>
</tr>
<tr>
<td><strong>Seminar (EA2)</strong></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. 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.</td>
</tr>
<tr>
<td><strong>Practical Workshop (EA3)</strong></td>
<td>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.</td>
</tr>
<tr>
<td><strong>Practice (EA4)</strong></td>
<td>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.</td>
</tr>
</tbody>
</table>
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.

2.- ASSESSMENT SYSTEM AND CRITERIA:

<table>
<thead>
<tr>
<th>Code</th>
<th>Name</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>AS4</td>
<td>Written or computer-based examination on exercises, problems, cases, and so forth. (AS4)</td>
<td>40%</td>
</tr>
<tr>
<td>AS9</td>
<td>Submission of exercises</td>
<td>10%</td>
</tr>
<tr>
<td>AS3</td>
<td>Written examination on reasoning questions</td>
<td>50%</td>
</tr>
</tbody>
</table>

3.- DESCRIPTION OF THE EVALUATION SYSTEM:

ORDINARY EXAMINATION. (CONTINUOUS EVALUATION):

- Tests: two specific tests will be conducted including short theoretical questions and/or practical cases (together 40%).
- Presentation of exercises and practical cases: this includes student participation through reading, presenting exercises, case discussions and other activities that allow a daily monitoring of the student (10%).
- Final exam: Written exam including practical reasoning, exercises, cases; altogether consisting in approximately 10 theoretical/practical questions and a series of practical cases (together 50%). To pass the subject the student must obtain a minimum score of 4.5 points in the final exam and 5 points in total (including continuous evaluation).

EXTRAORDINARY EXAMINATION

Students who do not pass the subject in the ordinary examination must take the extraordinary examination, and this extraordinary examination contains all material that has been covered during the course, and also all material covered during the practical cases and exercises. Extraordinary Evaluation includes:

- Final Exam: Written exam including approximately 5-10 theoretical/practical questions and a series of practical cases.
7. COURSE SYLLABUS

1.- COURSE SYLLABUS:

THEORETICAL:

PART I: INVESTMENT DECISIONS IN THE COMPANY

CHAPTER 1: CHARACTERISTICS OF INVESTMENT PROJECTS
The concept of investment.
Financial dimension of investment projects.
Typology of investment projects.
Estimating financial cash flows of investment projects.
Public and private investments: Evaluation theory and analysis.

CHAPTER 2: FINANCIAL INVESTMENT EVALUATION CRITERIA AND PROJECT SELECTION.
Net Present Value (NPV) method.
Internal Rate of Return (IRR) method.
Payback method.
Profitability Index method.

CHAPTER 3: COMPARING THE CLASSICAL INVESTMENT EVALUATION METHODS AND PROJECT SELECTION
Introduction.
Decision rules for accepting or refusing a single project.
Decision rules for selecting and prioritizing various projects: The Fisher Intersections.
The challenges of budget restraints.

PART II: INVESTMENT DECISIONS IN AN ENVIRONMENT OF RISK.

CHAPTER 4: SENSITIVITY ANALYSIS AND FIRST APPROACH TO RISK
Sensitivity Analysis.
Sensitivity Analysis and the NPV as investment decision criteria.
Sensitivity Analysis and the preference order when applying the NPV as investment decision criteria.
Sensitivity Analysis and the IRR as investment decision criteria.
Sensitivity Analysis and the preference order when applying the IRR as investment decision criteria

CHAPTER 5: EVALUATION AND PROJECT SELECTION IN RISK ENVIRONMENTS THROUGH THE APPLICATION OF ADJUSTMENT CRITERIA.
Introduction.
Applying a Risk Premium to adjust the discount rate.
Comparing the application of a Risk Premium with the application of Risk Coefficients.

CHAPTER 6: EVALUATION AND SELECTION OF A RISK PROJECT USING STATISTICAL INSTRUMENTS.
The mathematical mean and variance as measures of return and risk of a project.
Net cash flows as uncertain variables.
Net present value (NPV) as uncertain variable.
The expected net present value as uncertain variable.
The variance of the net present value.
Applying determined probability distributions to analyse a project's risk.

CHAPTER 7: EVALUATION AND SELECTION OF A RISK PROJECT USING SIMULATION MODELS AND DECISION TREES.
Introduction.
Simulation Models: Monte Carlo Simulation.
Decision trees.
8. BIBLIOGRAPHY

1.- BASIC BIBLIOGRAPHY:

SPANISH:

ENGLISH:

2.- ADDITIONAL BIBLIOGRAPHY:

SPANISH:


**ENGLISH:**


**ARTICLES**


3.- WEB RESOURCES:

www.bde.es  
www.finance.yahoo.com  
www.bloomberg.com  
www.infomercados.com  
www.economist.com/markets  
www.tripleacp.com/corporate.html  
www.ft.com/

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 teaching unit will decide, in each case, the sanction that will be applied to those students who are expelled from the classroom.

10. EXCEPTIONAL MEASURES

Should an exceptional situation occur which prevents continuing with face-to-face teaching under the conditions previously established to this end, the University will take appropriate decisions and adopt the necessary measures to guarantee the acquisition of skills and attainment of learning outcomes as established in this Course Unit Guide. This will be done in accordance with the teaching coordination mechanisms included in the Internal Quality Assurance System of each degree.