COURSE DESCRIPTION
FINANCIAL OPERATIONS
3RD YEAR | 1ST SEMESTER
DEGREE: ECONOMICS, SPECIALIZATION IN INTERNATIONAL BUSINESS AND FINANCE
IN-CLASS TEACHING
ACADEMIC YEAR: 2019/2020
SCHOOL OF BUSINESS AND ECONOMICS
1. COURSE IDENTIFICATION

1.- COURSE:

<table>
<thead>
<tr>
<th>Name:</th>
<th>FINANCIAL OPERATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Code:</td>
<td>F341</td>
</tr>
<tr>
<td>Year (s) course is taught:</td>
<td>3º</td>
</tr>
<tr>
<td>Semester (s) when the course is taught:</td>
<td>1º</td>
</tr>
<tr>
<td>Type:</td>
<td>Compulsory</td>
</tr>
<tr>
<td>ECTS of the course:</td>
<td>6</td>
</tr>
<tr>
<td>Hours ECTS:</td>
<td>(30)</td>
</tr>
<tr>
<td>Language:</td>
<td>English and Spanish</td>
</tr>
<tr>
<td>In-class teaching</td>
<td></td>
</tr>
<tr>
<td>Degree (s) in which the course is taught:</td>
<td>ECONOMICS, SPECIALIZATION IN INTERNATIONAL BUSINESS AND FINANCE</td>
</tr>
<tr>
<td>School of Business and Economics</td>
<td></td>
</tr>
</tbody>
</table>

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 ZURDO</td>
</tr>
<tr>
<td>Phone (ext):</td>
<td>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>
</tr>
<tr>
<td>Lecturer(s):</td>
<td>CONTACT</td>
</tr>
<tr>
<td>Name:</td>
<td>MARÍA ENCINA MORALES DE VEGA</td>
</tr>
<tr>
<td>Phone (ext):</td>
<td>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>
</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>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>
</tr>
<tr>
<td>GS1</td>
<td>Capacity for analytical and critical thinking and its oral and written communication.</td>
</tr>
<tr>
<td>GS2</td>
<td>Capacity to lead and to make decisions with an innovative and entrepreneurial spirit.</td>
</tr>
<tr>
<td>GS5</td>
<td>Exercise of professional activity on the basis of ethics, honesty and respect for fundamental human rights.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Code</th>
<th>Specific Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>SS28</td>
<td>Understanding and knowing how to use the theoretical and technical fundamentals of financial calculus, and its application to corporate finance decisions.</td>
</tr>
</tbody>
</table>

#### 2.- LEARNING OUTCOMES:

<table>
<thead>
<tr>
<th>Code</th>
<th>Learning outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Identify the characteristics of a financial transaction and solve the specific calculus related with the estimation of return and valuation of financial operations.</td>
</tr>
<tr>
<td></td>
<td>Quantify both the financial cost of the financial sources and the cost of capital in the company.</td>
</tr>
</tbody>
</table>

### 5. EDUCATIONAL ACTIVITIES

#### 1.- DISTRIBUTION OF STUDENTS` ASSIGNMENT:

<table>
<thead>
<tr>
<th>Total hours of the course</th>
<th>180</th>
</tr>
</thead>
<tbody>
<tr>
<td>Code</td>
<td>Name</td>
</tr>
<tr>
<td>------</td>
<td>------</td>
</tr>
</tbody>
</table>

2.- EDUCATIONAL ACTIVITIES:

<table>
<thead>
<tr>
<th>Educational Activity</th>
<th>DEFINITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seminar (EA2)</td>
<td>In-class seminar educational activity which, under the guidance of the professor, encourages collaborative learning among students and is focused on case studies and the subject matter to be studied in detail.</td>
</tr>
<tr>
<td>Practice (EA3)</td>
<td>In-class educational activity in the form of workshops or undertaken in the computer room which, under the guidance of the professor, is directed at either the individual or group resolution of exercises and problems or the undertaking of practice that demonstrate an understanding of the theory studied.</td>
</tr>
<tr>
<td>Individual Work (EA6)</td>
<td>Out-of-class educational activity which, under the systematic guidance of the professor/tutor, encourages independent learning on the part of the student and the integration of the skills and outcomes acquired by virtue of the degree studies.</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.
- 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>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Code</td>
<td>Name</td>
</tr>
<tr>
<td>AS1</td>
<td>Written tests</td>
</tr>
<tr>
<td>AS3</td>
<td>Practical tests</td>
</tr>
</tbody>
</table>

Written tests (AS1) Short answers test: true-false, multiple choice, and so forth, in written form.
Practical tests (AS3) Projects, exercises, cases and problems based on real and/or fictitious data, on topics related to the course
ORDINARY EVALUATION:

Continued evaluation includes:

• **Tests and practical cases (20%)**: Tests may be short theoretical questions and/or practical exercises of the subjects imparted up until that moment in time. The practical exercises can be solved either individually or in groups, and the students have to show the skills needed to find out specific information, compilation of reports and case expositions addressing real life situations.

• **Workshop and Assignments (30%)**: Students are asked to investigate and research different cases and to then present these in class. Furthermore, assignments can consist of reading assignments, exercises to be handed in class discussions and other activities that allow the professor to evaluate the follow up work daily.

• **Final Exam (50%)**: consists in a series of approximately 10 theoretical and a series of practical questions related to the class programme.

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.

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, from 5 to 10, 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
Course Description / Academic year 2019-2020

- 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 variable annuities and variable perpetuities, arithmetic progression
- 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:

SPANISH:


ENGLISH:
2. ADDITIONAL BIBLIOGRAPHY:

SPANISH:
### 3. WEB RESOURCES:

- [www.bde.es](http://www.bde.es)
- [www.economist.com/markets](http://www.economist.com/markets)
- [www.finance.yahoo.com](http://www.finance.yahoo.com)
- [www.informercados.com](http://www.informercados.com)
- [www.edufinet.es](http://www.edufinet.es)
- [www.dialnet.es](http://www.dialnet.es)
- [www.finanzas.com](http://www.finanzas.com)
- [www.iberfinanzas.com](http://www.iberfinanzas.com)
- [www.ahe.es](http://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.