COURSE DESCRIPTION

FINANCIAL MANAGEMENT

3RD YEAR / 2ND SEMESTER

DEGREE: ECONOMICS, MINOR IN FINANCE AND MINOR IN INTERNATIONAL BUSINESS

IN-CLASS TEACHING

ACADEMIC YEAR: 2018/2019

SCHOOL OF BUSINESS AND ECONOMICS
1. COURSE IDENTIFICATION

1.- Subject:

<table>
<thead>
<tr>
<th>Name: Financial Management</th>
<th>Code: f351</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year(s) course is taught: 3rd Year</td>
<td>Semester in when the course is taught: Second</td>
</tr>
<tr>
<td>Type: Minor Compulsory</td>
<td>ECTS of the course: 6</td>
</tr>
<tr>
<td>Language: Spanish/English</td>
<td>Hours ECTS: (30)</td>
</tr>
<tr>
<td>Degree in which the course is taught: Economics, Minor in Finance and Minor in International Business</td>
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<tr>
<td>School which the course is taught: School of Business &amp; Economics</td>
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</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: Javier ITURRIOZ DEL CAMPO</td>
<td></td>
</tr>
<tr>
<td>Phone (Ext): 914566300 (5421)</td>
<td></td>
</tr>
<tr>
<td>Email: <a href="mailto:itucam@ceu.es">itucam@ceu.es</a></td>
<td></td>
</tr>
<tr>
<td>Office: 1:07 B</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lecturer</th>
<th>CONTACT DETAILS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name: M. Encina MORALES DE VEGA</td>
<td></td>
</tr>
<tr>
<td>Phone (Ext): 914566300 ext: 5519</td>
<td></td>
</tr>
<tr>
<td>Email: <a href="mailto:memorales@ceu.es">memorales@ceu.es</a></td>
<td></td>
</tr>
<tr>
<td>Office: 1:02B</td>
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<table>
<thead>
<tr>
<th>Lecturer</th>
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</thead>
<tbody>
<tr>
<td>CONTACT</td>
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<tr>
<td>----------</td>
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</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

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>
</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>
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<table>
<thead>
<tr>
<th>Code</th>
<th>Specific Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>SS29</td>
<td>Understanding the methodologies for investment assessment and being able to make decisions regarding a company's investment and financing.</td>
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</table>

2.- LEARNING OUTCOMES:

<table>
<thead>
<tr>
<th>Learning outcomes</th>
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<tbody>
<tr>
<td>To be able to quantify the financial cost of the different sources of financing of a company, the average cost of financial resources and value productive investments in such a way that investment and financing decisions can be taken.</td>
</tr>
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</table>
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>53</td>
</tr>
<tr>
<td>EA3</td>
<td>Practice</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>60</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>120</td>
</tr>
</tbody>
</table>

2.- EDUCATIONAL ACTIVITIES:

<table>
<thead>
<tr>
<th>Educational Activity</th>
<th>DEFINITION</th>
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<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.
2.- ASSESSMENT SYSTEM AND CRITERIA:

<table>
<thead>
<tr>
<th>ASSESSMENT CRITERIA</th>
<th>Code</th>
<th>Name</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Written tests (AS1)</td>
<td>AS1</td>
<td>Written tests</td>
<td>25%</td>
</tr>
<tr>
<td>Practical tests (AS3)</td>
<td>AS3</td>
<td>Practical tests</td>
<td>75%</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 |

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.
Applying Risk Coefficients to adjust net cash flows.
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:

- Banco de España: www.bde.es
- Bolsas y Mercados Españoles: www.bolsasymercados.es
- Divisas: www.exchangerate.com
- Mercado Español de Futuros y Opciones Financieras: www.meff.es
- Portal de finanzas de Yahoo: www.finance.yahoo.com Portal de información
- Financiera www.bloomberg.com Portal de mercados financieros: www.informercados.com
- Reserva Federal: www.federalreserve.gov
- Revista The Economist: www.economist.com/markets
- Triplecapitalparthners: www.tripleacp.com/corporate.html
- Financial Times: 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.