

Financial Management I (20684)

Description of the subject

Academic year: 2011-2012

Degree/study: bachelor's degree in Economics and Business Administration and Management

Year in the programme: 3rd / 4th year

Term: first

Number of ECTS credits: 5

Hours of student's dedication: 125

Language: Spanish

Teaching staff: Beatriz Mariano / Tomás Eguren Galende

Presentation of the subject

The subject Financial Management I, with the other subjects with financial contents, covers the functional area of Financial Management. In specific terms, this enables students to become familiar with financial analysis of the company's investment decisions; it covers cash flow analysis, the selection of investment projects under conditions of certainty and uncertainty, and the project portfolio model.

Prerequisites for following the training track

The subject is one of the compulsory subjects in the syllabus for the third and fourth years. The subjects taken in the first two years provide the necessary prior knowledge to take Financial Management I. The most useful concepts will be those covered in Mathematics for Finance and Financial Economics.

Competences to be attained

The competences specified in the subject syllabus are as follows:

- G1. Understanding and interpreting academic written texts in a relevant and reasoned manner.
- G7. Development of the ability to reason independently with critical detachment in controversial subjects or issues.
- G9. Consolidated habits as regards self-discipline, personal standards and thoroughness in academic work and in organization and correct timescales.
- G10. A proactive attitude to ascertaining the unknown, essential in all training processes and in all influential professional activities.
- G11. The ability to apply the knowledge acquired and adapt it to new contexts flexibly and creatively.
- G12. The ability to make progress autonomously and continuously in training and learning processes.
- G13. Demonstration of a sufficient level of knowledge for professional work.
- G15. Taking decisions in high risk situations.

Contents

Topic 1. Introduction

Topic 2. Valuation of assets without risk

2.1. Net current value of an investment project (NCV)

2.3. Other asset valuation criteria: recovery period, IRR

2.4. The relationship between the IRR and the NCV

2.5. Extensions. Practical application of the NCV:

Topic 3. Valuation of assets with risk

3.1. Mathematics and financial statistics

3.2. Variance and standard deviation in a portfolio

3.3. The Capital Asset Pricing Model (CAPM)

3.4. The CAPM and the NCV

3.5. The APT

3.6. Capital and risk budget

Topic 4. Risk analysis of a project

4.1. Sensitivity analysis, break-even point analysis, Monte Carlo simulation

4.2. Decision trees

Topic 5. Options

5.1. The various types of options.

5.2. Valuation of options: the binomial model

5.3. Valuation of options: the Black-Scholes model

Assessment

- (1) The final examination accounts for 80% of the mark. The September examination will also account for 80% of the mark (the other marks listed below will be carried forward).
- (2) The seminars will account for 20% of the mark.

Methodology

The activities to be carried out by students to achieve the competences in the subject are as follows:

- Face-to-face theory classes: an hour and a half long, twice a week. Content permitting, the theory will be covered by means of examples. In other cases, the theory classes will be more presentation-based.
- Group work: the students will form working groups in order to prepare and present the seminars.
- Presentation of the group's solution in seminar sessions.

Hand-in of the seminar solution by e-mail, before its first correction.

- Examination preparation: students will have to study for the final examination at the end of classes and individual and group work.
- Completion of final examination.

Sources of information and teaching resources

The materials/resources students need in order to be able to take the subject Financial Management I are as follows:

- Course plan: to ascertain the objectives, evaluation criteria and be able to monitor daily activities. Accessible through the Campus Global- Subject teaching material: presentation of theoretical concepts. Accessible through the Campus Global.

- Bibliography:

BREALEY, R; MYERS, S; ALLEN, F. *Principios de Finanzas Corporativas*. 8ª. ed. Madrid: McGraw-Hill, 2006.

Activities planning

Session	Contents	Chapter	Week
Valuation of assets without risk			
Theory 1	Present value and future value	2 and 3	1
Theory 2	The NCV	6	1
Theory 3	Valuation of debt securities and shares	4	2
Theory 4	Other asset valuation criteria	5	2
Theory 5	The relationship between the IRR and the NCV	5	3
Theory 6	Extensions. Practical application of the NCV:	5 and 6	3
Valuation of assets with risk			
Theory 7	Mathematics and financial statistics	7	4
Theory 8	Variance and standard deviation in a portfolio	8	4
<i>Seminar 1</i>	<i>Practical session</i>		5
Theory 9	The CAPM	8	5
Theory 10	The CAPM and the NCV	8	5
<i>Seminar 2</i>	<i>Practical session</i>		6
Theory 11	The APT	8	6
Theory 12	Capital and risk budget	9	6
Risk analysis of a project			
<i>Seminar 3</i>	<i>Practical session</i>		7
Theory 13	Sensitivity analysis, break-even point analysis, Monte Carlo simulation	10	7
Theory 14	Decision trees	10	7
Options			
<i>Seminar 4</i>	<i>Practical session</i>		8
Theory 15	The various types of options.	20	8
Theory 16	Valuation of options: the binomial model	20 and 21	8
<i>Seminar 5</i>	<i>Practical session</i>		9
Theory 17	The binomial model	21	9
Theory 18	The Black-Scholes model	21	9
<i>Seminar 6</i>	<i>Practical session</i>		10
Theory 19	Review class		10
Theory 20	Review class		10
Examination			