

# Financial Management I (20684)

**Term:** first

**Number of ECTS credits:** 5

**Language or languages of instruction:** English

**Professor:** Andrea Polo

## 1. Presentation of the subject

The topics of Financial Management I and II address the two main issues raised in the financial management of the company: investment decisions regarding how to use company resources for productive projects, and funding decisions that focus on obtaining the necessary resources to finance investments. Financial Management I analyses investment decisions, leaving the funding decisions to Financial Management II.

The main subject of the course is *investment decisions*. We will use concepts of asset valuation (discussed in Economía Financiera) under certainty and uncertainty, and will apply investment decisions analysis within the corporation. Emphasis will be placed on the calculation of the cash flows from the projects, the choice of the cost of capital and the final selection of the investment portfolio. In more complex settings (making decisions contingent to other future decisions) more advanced analysis techniques will be introduced. Finally, several sessions will be devoted to the analysis of the decision-maker himself. The CFO is a human being with biases and attitudes that may not be fully aligned with the rationality framework assumed as a starting point by traditional techniques.

## 2. Prerequisites

The course is part of the curriculum of the third and fourth year. The courses taken in the first two years- especially Matemáticas Financieras and Economía Financiera– provide the necessary foundation to the material covered in Financial Management I. Students should review the basic concepts of the above mentioned courses before the start of the course. However, some time will be devoted in class to review them.

## 3. Course Structure

The theory sessions will discuss the concepts and methodologies of the course program. The sessions will be based on the material covered in the textbook recommended for the course but they will offer a selection of topics and additional support material. These resources will be available in **Campus Global**.

In the second part of the course, students will find exercises and the relative solutions available in Campus Global. These exercises are based on the material covered in the theory sessions. The seminars will be devoted to the discussion of the most relevant exercises and will discuss additional applied content.

## Session outline

<b>Session</b>	<b>Content</b>	<b>Chapters</b>	<b>Week</b>
<b>Basic concepts and review</b>			
Theory 1	Introduction to financial management: the firm, the CFO, the financial markets	1	1
Theory 2	Financial statement analysis	2	1
Theory 3	The time value of money	4	2
Theory 4	Basic concepts of asset pricing : law of one price and the determinants of interest rates	3, 5	2
<b>Basic Valuation</b>			
Theory 5	Valuation of bonds	6	3
Theory 6	Criteria for investment decisions: accounting return, payback, NPV, IRR	7	3
Theory 7	Capital budgeting (I)	8	4
Theory 8	Capital budgeting (II)	8	4
Theory 9	The valuation of stocks (I)	9	5
<b>Risk and Return</b>			
Theory 10	The valuation of stocks (II)	9	5
Theory 11	Capital markets and the pricing of risk (I)	10	6
Theory 12	Capital markets and the pricing of risk (II)	10	6
Theory 13	Capital markets and the pricing of risk (III)	10	7
<b>Options</b>			
Theory 14	Optimal portfolio and CAPM	11	7
Theory 15	Computing the cost of capital	12	8
Theory 16	Financial options	20	8
Theory 17	Valuation of options	21	9
<b>Investor behavior</b>			
Theory 18	Real options	22	9
Theory 19	Investor behavior and capital market efficiency	13	10
Theory 20	<b>Final overview</b>		10

## 4. Assessment

### Ordinary assessment

To pass the course, you must earn at least 50 points out of 100:

Final exam: 80 points

Continuous assessment: 20 points. 10 points can be obtained through seminar participation and 10 points can be obtained through a group assignment. Teachers of the seminars will give more details on the group assignment during the course.

### Extraordinary assessment

If the subject has not been passed in the ordinary call, you can recover it according to the following conditions:

Final exam: if the student fails the final exam, he/she may attend a special exam (specific day, time and classroom will be announced in due time). To be able to attend the special exam, he/she must have submitted the regular final exam and have received a grade.

Continuous assessment (seminar participation and group assignment): this part, because of its nature, cannot be recovered.

### Assessment UPF students in exchange programs

UPF students who are enrolled in the course but are taking part to exchange programs are subject to the same assessment criteria as the other students. This means that since they cannot take part to the continuous assessment, the maximum score they are eligible to is 80 points.

## 5. Bibliography

BERK, J.; DEMARZO, P. Corporate Finance. 3rd ed. Pearson