

80128 - Corporate Finance

TEACHING PLAN

1. Basic description

Name of the course: Corporate Finance

Academic year: 2019–2020

Term: 1st

Degree / Course: International Business Programme

Code: 80128

Number of credits: 6

Total number of hours committed: 150

Teaching language: English

Lecturer: Bernat Raventós Ruiz

Classroom:

Timetable: Tuesday and Thursday, 6.45–8.55 pm

Office hours: Wednesday (Teacher's Room), 6.45–7.45 pm

2. Presentation of the course

This introductory course into the world of Corporate Finance helps students master the vocabulary of financial statements and accounting reports and equips them with the skills to use these tools to communicate with internal and external interlocutors. It also focuses on how to measure corporate investments and considers the different finance resources that are currently available.

The course covers several different areas:

After introducing the basic concepts of financial accounting, students analyse and interpret financial statements using different methods to assess company trends.

Another important skill is calculating the present and future value of money and understanding all the components of interest rates. These concepts will be essential for calculating rates of return and evaluating all the decisions in capital budgeting.

Students will be able to manage corporate working capital and forecast financial statements. From this information, they can estimate future cash flows and perform a company

valuation.

3. Competences to be worked in the course

General competences	Specific competences
<p data-bbox="145 409 722 443">Instrumental competences</p> <p data-bbox="145 477 722 555">G.I.2. Ability to relate concepts and knowledge from different areas.</p> <p data-bbox="145 589 722 667">G.I.4. Ability to tackle and solve problems.</p> <p data-bbox="145 701 722 779">G.I.5. Ability to take decisions in complex and changing environments.</p> <p data-bbox="145 813 722 891">G.I.8. Oral and written competence in communicating in English.</p> <p data-bbox="193 925 646 958">General personal competences</p> <p data-bbox="145 992 722 1160">G.P.1. Ability to adapt, lead and work in a group that is multicultural, interdisciplinary, competitive, changing and complex in nature.</p> <p data-bbox="145 1193 722 1272">G.P.3. Moral commitment and ethical sense.</p> <p data-bbox="193 1305 646 1339">Generic systemic competences</p> <p data-bbox="145 1373 722 1406">G.S.3. Ability to think globally.</p> <p data-bbox="145 1440 722 1473">G.S.4. Entrepreneurial capability.</p> <p data-bbox="145 1507 722 1541">G.S.5. Ability to learn on one's own.</p> <p data-bbox="193 1574 630 1608">Competences for applicability</p> <p data-bbox="145 1641 722 1720">G.A.1. Ability to apply acquired knowledge and skills.</p> <p data-bbox="145 1753 722 1877">G.A.2. Ability to use quantitative criteria and qualitative insights when taking decisions.</p> <p data-bbox="145 1910 722 1989">G.A.3. Ability to search and exploit new information sources.</p>	<p data-bbox="810 409 1177 443">Disciplinary competences</p> <p data-bbox="738 477 1302 645">E.D.10. Introduce basic financial concepts and analytical techniques and introduce their application to international transactions.</p> <p data-bbox="810 678 1189 712">Professional competences</p> <p data-bbox="738 745 1302 869">E.P.1. Ability to understand the decisions taken by economic agents and their interaction in the markets.</p> <p data-bbox="738 902 1302 1025">E.P.2. Ability to analyse economic and market indicators when taking decisions within the organisation.</p> <p data-bbox="738 1059 1302 1182">E.P.9. Ability to assess and discuss an organisation's economic and financial position.</p> <p data-bbox="738 1216 1302 1417">E.P.17. Ability to express and understand spoken and written communication in English at an advanced level in the international business environment.</p> <p data-bbox="738 1451 1302 1523">E.P.24. Develop the ability to synthesise.</p>

Learning outcomes

Students will be able to understand and analyse corporate financial statements in order to evaluate a company's financial and economic situation.

4. Contents

PART 1: BASICS IN FINANCIAL ACCOUNTING

- 1.1. Accounting Equation and Accounting Cycle
- 1.2. Comprehensive Chart of Accounts
- 1.3. Main Financial Statements
 - 1.3.1. Balance Sheet
 - 1.3.2. Income Statement
 - 1.3.3. Statement of Owner's Equity
 - 1.3.4. Cash Flow Statement
- 1.4. Main Differences between IFRS and US GAAP

PART 2: CASH FLOW MANAGEMENT

- 2.1. Improving Cash Flow Management
- 2.2. Free Cash Flow
- 2.3. The High Profit/No Cash Paradox

PART 3: FINANCIAL STATEMENTS ANALYSIS

- 3.1. Horizontal Analysis
- 3.2. Vertical Analysis
- 3.3. Ratio Analysis
 - 3.3.1. Liquidity
 - 3.3.2. Asset Management
 - 3.3.3. Debt Management
 - 3.3.4. Profitability: Margin, ROA, ROI and ROE
 - 3.3.5. DuPont Analysis

PART 4: COST ACCOUNTING

- 4.1. Direct and Indirect Costs

4.2. Variable and Fixed Costs

4.3. Costs Allocation

4.4. Break-Even Point

PART 5: TIME VALUE OF MONEY

5.1. Future Values and Present Values

5.2. Annuities

5.3. Perpetuities

5.4. Uneven Cash Flows

PART 6: INTEREST RATES

6.1. The Cost of Money

6.2. Determinants of Market Interest

6.3. The Term Structure of Interest Rates

PART 7: RISKS AND RATES OF RETURN

7.1. Risk-Return Trade-Off

7.2. Stand-Alone Risk

7.3. Risk in a Portfolio Context (CAPM)

7.4. Relationship between Risk and Rates of Return

PART 8: COST OF CAPITAL

8.1. Weighted Average Cost of Capital (WACC)

8.2. Basic Definitions

8.3. Factors that Affect the WACC

PART 9: BASICS OF CAPITAL BUDGETING

9.1. Net Present Value

9.2. Internal Rate of Return

9.3. Modified Internal Rate of Return

9.4. Payback Period

PART 10: CASH FLOW ESTIMATION AND RISK ANALYSIS

10.1. Conceptual Issues in Cash Flow Estimation

10.2. Analysis of an Expansion Project

10.3. Replacement Analysis

PART 11: WORKING CAPITAL MANAGEMENT

- 11.1. Current Assets Investing and Financing Policies
- 11.2. Cash Conversion Cycle
- 11.3. Cash Budget
- 11.4. Inventories and Accounts Receivable
- 11.5. Accounts Payable and Bank Loans
- 11.6. Accruals

PART 12: FINANCIAL PLANNING AND FORECASTING

- 12.1. Sales Forecast
- 12.2. Forecasted Financial Statements
- 12.3. Analysing the Effect of Changing Ratios

PART 13: COMPANY VALUATION METHODS

- 13.1. Qualitative valuation methods
- 13.2. Quantitative valuation methods
 - 13.2.1 Intrinsic valuation methods: DCF, NAV
 - 13.2.2 Comparables valuation: Multiples

5. Assessment

The final grade will be determined by the weighted average of the following activities carried out throughout the term:

Assessment elements	Time period	Type of assessment		Assessment agent			Type of activity
		Mandatory	Optional	Lecturer	Self-assess	Co-assess.	
In-class quizzes, seminars and case studies	During the term	X		X			Concept and application
Class participation	Ongoing		X	X			Analysis and synthesis
Midterm exam	Week 5	X		X			Concept and application and understanding

Group case study	Week 11	X		X			Applica
Final exam (a minimum grade of 4.0 is required to pass the course)	Exam week	X		X			Conce applic and o underst

When computing the final grade, continuous assessment elements will be weighted only if the final exam grade is equal to or greater than 4.0. Therefore, to obtain a passing course grade, the final exam grade must be equal to or greater than 4.0. If the final exam grade is less than 4.0, the final exam grade becomes the final course grade, irrespective of the other grades.

Students **must take the final exam** if they want to receive a quantitative course evaluation. Students who do not sit the final exam will receive a “No Show” grade.

Class participation accounts for 10% of the final grade. Students can obtain partial or full credit in this assessment category if they: demonstrate preparation by relating issues to book chapters, readings and case studies; contribute in an active and significant way to ongoing class discussions.

Resits

In accordance with ESCI-UPF academic regulations, students whose weighted final grade for the regular term evaluation is **below 5.0** but whose grade for the continuous evaluation activities (in-class quizzes and assigned exercises, group case study and class participation) is above 4.0 will be required to retake their final exam, which will account for 40% of their total final grade. The rest of their final total grade will be made up of their grades in the other areas of continuous evaluation.

Any students found copying and/or plagiarising work, in whole or in part, will fail the subject. They will receive a final grade of zero and will not be allowed to take the make-up exam. In accordance with the UPF Disciplinary Rules and Regulations for Students, other additional sanctions may apply depending on the seriousness of the offence.

6. Bibliography and teaching resources

- Basic bibliography

- Brigham, E.F., and J.F. Houston. *Fundamentals of Financial Management. Concise Edition*. Mason, OH: Cengage Learning, 2015.
- Warren, C.S., J.M. Reeve, and J. Duchac. *Managerial Accounting*. Mason, OH: Cengage Learning, 2014.

- Supplementary bibliography

- Brealey, R.A., and S.C. Myers. *Principles of Corporate Finance*. Maidenhead: McGraw-Hill Education, 2013.
- Drury, C. *Management and Cost Accounting*. Mason, OH: Cengage Learning, 2012.
- Needles, B.E., and M. Powers. *International Financial Reporting Standards. An Introduction*. Mason, OH: Cengage Learning, 2010.
- Rich, J., J. Jones, M. Mowen, and D. Hansen. *Financial Accounting: The Cornerstone of Business Decisions*. Mason, OH: Cengage Learning, 2012.

Aswath Damodaran. *Applied Corporate Finance*, Fourth Edition, Wiley Finance, 2014

7. Methodology

The teaching and learning processes will be based on the lecturer's slides, readings of the recommended books and practical case studies. You **must** read and review each lecture presentation carefully before class so that you can solve it during the session.

8. Scheduled activities

Week	Session	In class	Class preparation
Week 1	Lecture 1	Basic Accounting Concepts Cash Flow Management	Brigham, Chapter 3
Week 2	Lecture 2 Lecture 3	Cash Flow Management Financial Statement and Financial Statement Analysis	Brigham, Chapter 3 Brigham, Chapter 4
Week 3	Lecture 4 Lecture 5	Case studies and exercises Cost Accounting	Warren, Chapters 3 & 4 Drury, Chapters 2, 3 & 8
Week 4	Lecture 6 Lecture 7	Case studies and exercises Time Value of Money	Brigham, Chapter 5
Week 5	Lecture 8 Lecture 9	Case studies and exercises Interest Rates Risks and Rates of Return	Brigham, Chapter 6 Brigham, Chapter 8
Week 6	Lecture 10 Lecture 11	Midterm exam Cost of Capital	Brigham, Chapter 10
Week 7	Lecture 12 Lecture 13	Case studies and exam review Capital Budgeting	Brigham, Chapter 11
Week 8	Lecture 14 Lecture 15	Case studies and exercises Cash Flow Estimation and Risk Analysis	Brigham, Chapter 12
Week 9	Lecture 16 Lecture 17	Case studies and exercises Working Capital Management	Brigham, Chapter 15
Week 10	Lecture 18 Lecture 19	Case studies and exercises Financial Planning and Forecasting Company Valuation Methods	Brigham, Chapter 16
Week 11	Lecture 20	Presentation of projects	
Final exam week		Final exam	