TEACHING PLAN FOR

• CORPORATE FINANCE

1. Basic Description

Name of the course: Corporate Finance
Academic year: 2016–2017
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: Monday and Wednesday, 6.00–8.15 pm
Office hours: Fridays (Teacher’s Room), 6.00–7.00 pm

2. Course Overview

Worldwide accounting standards and principles (IFRS, US GAAP, etc.) are increasingly converging. The ability to build, read, understand and analyse financial statements from companies in any country is an essential step before taking major business decisions.

This course 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 on in the Course

<table>
<thead>
<tr>
<th>General competences</th>
<th>Specific competences</th>
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<tbody>
<tr>
<td><strong>Instrumental competences</strong></td>
<td><strong>Disciplinary competences</strong></td>
</tr>
<tr>
<td>G.I.2. Ability to relate concepts and knowledge from different areas.</td>
<td>E.D.10. Introduce basic financial concepts and analytical techniques and introduce their application to international transactions.</td>
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<tr>
<td>G.I.4. Ability to tackle and solve problems.</td>
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<td>G.I.5. Ability to take decisions in complex and changing environments.</td>
<td>Professional competences</td>
</tr>
<tr>
<td><strong>General personal competences</strong></td>
<td>E.P.2. Ability to analyse economic and market indicators when taking decisions within the organisation.</td>
</tr>
<tr>
<td>G.P.1. Ability to adapt, lead and work in a group that is multicultural, interdisciplinary, competitive, changing and complex in nature.</td>
<td>E.P.9. Ability to assess and discuss an organisation's economic and financial position.</td>
</tr>
<tr>
<td>G.P.3. Moral commitment and ethical sense.</td>
<td>E.P.17. Ability to express and understand spoken and written communication in English at an advanced level in the international business environment.</td>
</tr>
<tr>
<td><strong>Generic systemic competences</strong></td>
<td>E.P.24. Develop the ability to synthesise.</td>
</tr>
<tr>
<td>G.S.3. Ability to think globally.</td>
<td></td>
</tr>
<tr>
<td>G.S.4. Entrepreneurial capability.</td>
<td></td>
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<tr>
<td>G.S.5. Ability to learn on one’s own.</td>
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<tr>
<td><strong>Competences for applicability</strong></td>
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<tr>
<td>G.A.1. Ability to apply acquired knowledge and skills.</td>
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<tr>
<td>G.A.2. Ability to use quantitative criteria and qualitative insights when taking decisions.</td>
<td></td>
</tr>
<tr>
<td>G.A.3. Ability to search and exploit new information sources.</td>
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</table>
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

10.2. Analysis of an Expansion Project
10.3. Replacement Analysis

PART 11: WORKING CAPITAL MANAGEMENT

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
12.4. Company Valuation Methods
   12.4.1. DCF
   12.4.2. Multiples
   12.4.3. Venture Capitalist
5. Assessment

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

<table>
<thead>
<tr>
<th>Assessment elements</th>
<th>Time period</th>
<th>Type of assessment</th>
<th>Assessment agent</th>
<th>Type of activity</th>
<th>Grouping</th>
<th>Weight (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-class quizzes, assigned exercises and case studies</td>
<td>During the term</td>
<td>M Mandatory</td>
<td>X</td>
<td>Conceptual and application</td>
<td>X</td>
<td>15%</td>
</tr>
<tr>
<td>Class participation</td>
<td>Ongoing</td>
<td>M Mandatory</td>
<td>X</td>
<td>Analysis, application and synthesis</td>
<td>X</td>
<td>10%</td>
</tr>
<tr>
<td>Midterm exam</td>
<td>Week 5</td>
<td>M Mandatory</td>
<td>X</td>
<td>Conceptual, application, and overall understanding</td>
<td>X</td>
<td>25%</td>
</tr>
<tr>
<td>Group case study</td>
<td>Week 10</td>
<td>M Mandatory</td>
<td>X</td>
<td>Application</td>
<td>X</td>
<td>10%</td>
</tr>
<tr>
<td>Final exam (a minimum grade of 4.0 is required to pass the course)</td>
<td>Exam week</td>
<td>M Mandatory</td>
<td>X</td>
<td>Conceptual, application, and overall understanding</td>
<td>X</td>
<td>40%</td>
</tr>
</tbody>
</table>

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**

- **Supplementary bibliography**

**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 each case study before class so that you can solve it during the session.
### 8. Timetable of Activities

<table>
<thead>
<tr>
<th>Week</th>
<th>Session</th>
<th>In class</th>
<th>Class preparation</th>
</tr>
</thead>
</table>
| Week 1     | Lecture 1        | Basic accounting concepts  
Financial statements                         | Brigham, Chapter 3                         |
| Week 2     | Lecture 2        | Case studies and exercises  
Financial statement analysis                  | Brigham, Chapter 4                         |
| Week 3     | Lecture 4        | Case studies and exercises  
Cost accounting                                 | Warren, Chapters 3 and 4  
Drury, Chapters 2, 3 and 8                      |
| Week 4     | Lecture 6        | Case studies and exercises  
Time value of money,  
Interest rates                                      | Brigham, Chapter 5  
Brigham, Chapter 6                              |
| Week 5     | Lecture 8        | Case studies and exercises  
Risks and rates of return                         | Brigham, Chapter 8                         |
| Week 6     | Lecture 10       | Midterm exam  
Cost of capital                                   | Brigham, Chapter 10                        |
| Week 7     | Lecture 12       | Case studies and exercises  
Capital budgeting                                  | Brigham, Chapter 11                        |
| Week 8     | Lecture 14       | Case studies and exercises  
Cash flow estimation and risk analysis            | Brigham, Chapter 12                        |
| Week 9     | Lecture 16       | Working capital management  
Financial planning and forecasting                | Brigham, Chapter 15  
Brigham, Chapter 16                              |
| Week 10    | Lecture 18       | Company valuation methods  
Case studies and exercises                         |                                           |
| Week 11    | Lecture 20       | Presentation of projects                      |                                           |
| Final exam week |               | Final exam                                    |                                           |