TEACHING PLAN FOR

• CORPORATE FINANCE

1. Basic description

**Name of the course:** Corporate Finance  
**Academic year:** 2015-2016  
**Term:** 2nd  
**Degree / Course:** International Business Program  
**Code:** 80228  
**Number of credits:** 6  
**Total number of hours committed:** 150  
**Teaching language:** English  
**Lecturer:** Julia Sokolova  
**Classroom:** 4.2

**Timetable:**  
Tuesdays,  09.00 – 11.15  
Thursdays,  09.00 – 11.15

**Office Hours:**  
Tuesdays,  11.15 – 11.45  
Thursdays,  11.15 – 11.45

2. Presentation of the course

In the international sphere, the used accounting principles are converging (IFRS, USGAAP, etc.). In this context, and in order to take important business decisions, it is imperative to be able to build, read, understand and analyze the financial statements of companies, no matter which country they are from.

One of the goals of the course is that students master the vocabulary of financial statements and accounting reports, and use it to communicate with internal and external interlocutors. It also focuses on how to measure corporate investments and to consider the different finance resources that are currently available.

The course covers different areas:

After introducing the basic concepts of Financial Accounting, you will perform the analysis and interpretation of the financial statements, using different methods, in order to assess the trend of a company.
Another important issue is to be able to calculate present and future value of money and understand all the components of interest rates. These concepts will be essential to calculate rates of return and evaluate all the decisions in capital budgeting.

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

### 3. Competences to be achieved in the course

<table>
<thead>
<tr>
<th><strong>General competences</strong></th>
<th><strong>Specific competences</strong></th>
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</thead>
<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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<td>G.I.4. Ability to tackle and solve problems.</td>
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<tr>
<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. Assess and discuss the economic and financial position of an organisation.</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>
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<tr>
<td><strong>Generic systemic competences</strong></td>
<td>E.P.24. Develop the ability to synthesise.</td>
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<tr>
<td>G.S.3. Ability to think globally.</td>
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<tr>
<td>G.S.4. Entrepreneurial capability.</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>
<td></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>
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<tr>
<td>G.A.3. Ability to search and exploit new information sources.</td>
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</table>
Own competences of the subject

Ability to understand and analyze Corporate Financial Statements in order to evaluate the financial and economic situation of a company.

Ability to forecast financial statements of a company. Ability to perform a company valuation.

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 U.S. GAAP

PART 2: CASH FLOW MANAGEMENT

2.1. Economic Cash Flow vs. Financial Cash Flow
2.2. Calculation methods to Financial Cash Flow: Direct and Indirect
2.3. Free Cash Flow
2.4. 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: 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. Slump Sum
5.3. Annuities
5.4. Perpetuities
5.5. 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. Analyzing 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 cases</td>
<td>During the term</td>
<td>X Comp</td>
<td>X Lecturer</td>
<td>X Self-assess</td>
<td>Concep tual and application</td>
<td>X Indiv</td>
</tr>
<tr>
<td>Class participation</td>
<td>On-going</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Analysis, application and synthesis</td>
<td>X Group</td>
</tr>
<tr>
<td>Midterm exam</td>
<td>Week 5</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Concep tual, application, and overall understanding</td>
<td>X Group</td>
</tr>
<tr>
<td>Group case</td>
<td>Week 10</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Application</td>
<td>X Indiv</td>
</tr>
<tr>
<td>Final exam (a minimum grade of 4 is required to pass the course)</td>
<td>Exam Week</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Concep tual, application, and overall understanding</td>
<td>X Group</td>
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</tbody>
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Taking the final exam is a necessary condition to receive a quantitative evaluation of the course. In case of non-attendance to the final exam, the student will receive an “N.A.” grade.

Class participation will be evaluated as 10%, contributing up to 1 point (out of 10) to the final grade. Only those students who fulfil the following criteria can obtain partial or full credit in this category of the assessment:

- demonstrate preparation: relate things to book chapters, readings and cases
- contribute in an active and significant way to ongoing class discussions
Supplementary Evaluation

For those students who during the regular term evaluation have obtained a weighted final grade below 5.0, but have obtained a continuous evaluation above 4.0 (In-class Quizzes and assigned exercises, Group Case and class participation), there will be a supplementary evaluation according to ESCI-UPF calendar and academic regulations. This supplementary evaluation will imply a re-take of the final exam that will account for 40% of the total grade. The total final grade will keep the obtained grades in the rest of continuous evaluation elements.

6. Bibliography and teaching resources

- Basic bibliography
  


- Supplementary bibliography


7. Methodology

The teaching and learning processes will be based on lecturer’s slides, readings of the recommended books and practical cases and exercises. It is mandatory to read assigned chapters from the book.
### 8. Scheduling activities

<table>
<thead>
<tr>
<th>Week</th>
<th>Session</th>
<th>In class</th>
<th>Class preparation</th>
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</thead>
<tbody>
<tr>
<td>Week 1</td>
<td>Lecture 1</td>
<td>Basic accounting concepts, Financial Statements</td>
<td>Brigham, chapter 3</td>
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<tr>
<td></td>
<td>Lecture 2</td>
<td>Financial Statement Analysis</td>
<td>Brigham, chapter 4</td>
</tr>
<tr>
<td>Week 2</td>
<td>Lecture 3</td>
<td>Case studies and exercises</td>
<td>Warren, chapter 3 and 4</td>
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<td></td>
<td>Lecture 4</td>
<td>Cost Accounting</td>
<td>Drury, chapter 2, 3 and 8</td>
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<tr>
<td>Week 3</td>
<td>Lecture 5</td>
<td>Case studies and exercises</td>
<td>Brigham, chapter 5</td>
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<td></td>
<td>Lecture 6</td>
<td>Time Value of Money</td>
<td>Brigham, chapter 6</td>
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<td>Week 4</td>
<td>Lecture 7</td>
<td>Interest Rates</td>
<td>Brigham, chapter 8</td>
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<td>Lecture 8</td>
<td>Risks and Rates of Return</td>
<td>Brigham, chapter 8</td>
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<tr>
<td>Week 5</td>
<td>Lecture 9</td>
<td>Case studies and exercises</td>
<td>Midterm exam</td>
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<td></td>
<td>Lecture 10</td>
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<td>Week 6</td>
<td>Lecture 11</td>
<td>Cost of Capital</td>
<td>Brigham, chapter 10</td>
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<tr>
<td></td>
<td>Lecture 12</td>
<td>Case studies and exercises</td>
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<tr>
<td>Week 7</td>
<td>Lecture 13</td>
<td>Capital Budgeting</td>
<td>Brigham, chapter 11</td>
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<td></td>
<td>Lecture 14</td>
<td>Case studies and exercises</td>
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<td>Week 8</td>
<td>Lecture 15</td>
<td>Cash Flow estimation and risk analysis</td>
<td>Brigham, chapter 12</td>
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<td>Lecture 16</td>
<td>Working Capital Management</td>
<td>Brigham, chapter 15</td>
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<tr>
<td>Week 9</td>
<td>Lecture 17</td>
<td>Financial planning and forecasting</td>
<td>Brigham, chapter 16</td>
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<td>Lecture 18</td>
<td>Company Valuation Methods</td>
<td>Brigham, chapter 9</td>
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<tr>
<td>Week 10</td>
<td>Lecture 19</td>
<td>Case studies and exercises</td>
<td>Final exam</td>
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<tr>
<td></td>
<td>Lecture 20</td>
<td>Presentation of projects</td>
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**Final exams week** | **Final exam** |