

**Corporate Finance II****2014/2015**Code: 102328  
ECTS Credits: 6

Degree	Type	Year	Semester
2501572 Administració i Direcció d'Empreses	OB	3	2
2501573 Economia	OT	4	0

**Contact**Name: Magdalena Cayón Costa  
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Some groups entirely in English: Yes  
Some groups entirely in Catalan: Yes  
Some groups entirely in Spanish: No**Prerequisites**

i) Standard requirements for the third course of the undergraduate degree and ii) having followed the subject Finance I. iii) Students registered in Finance II are also expected to have the skills assigned to previous courses.

**Objectives and Contextualisation**

Finance II covers the principles of corporate finance in the Business Administration degree. It is based on the previous subject Finance I, where students have learnt asset valuation, the properties of financial markets and the essential elements of the relationship between firms and financial markets. Departing from the financial analysis methods taught in Finance I, students taking Finance II learn capital budgeting decision making, selection of financing sources and their relationship with corporate strategy.

The structure of the course moves from corporate value creation through capital budgeting to the links between capital budgeting and strategy. Next it analyses the relationships between investing and financing decisions that cope with the goals of value maximization and risk control. The twofold time-risk perspective introduced in Finance I is now applied to the corporate financial function.

**Skills**

Administració i Direcció d'Empreses

- Apply the basic statistics for improving capacity for work in situations of risk, understanding their origins and developing possible strategies for reducing or mitigating their effects.
- Apply theoretical knowledge of finances to improve relations with sources of financing, identifying the different forms of financing and the advantages and disadvantages for the company and the providers.
- Capacity for adapting to changing environments.
- Capacity for independent learning in the future, gaining more profound knowledge of previous areas or learning new topics.
- Capacity for oral and written communication in Catalan, Spanish and English, which enables synthesis and oral and written presentation of the work carried out.
- Demonstrate initiative and work individually when the situation requires it

- Manage conflicts of interest and in particular conflicts involving proposals for the fair distribution of value generated.
- Organise the work in terms of good time management, organisation and planning.
- Select and generate the information necessary for each problem, analyse it and take decisions based on that information.
- Take decisions in situations of uncertainty, demonstrating an entrepreneurial and innovative attitude.
- Value ethical commitment in professional practice.
- Work well in a team, being able to argue proposals and validate or reject the arguments of others in a reasoned manner.

## Learning outcomes

1. A capacity of oral and written communication in Catalan, Spanish and English, which allows them to summarise and present the work conducted both orally and in writing.
2. Apply the main principles of risk management.
3. Apply the methodology of financial economy reasoning and differentiate it from its equivalent in real economy.
4. Assess ethical commitment in professional activity.
5. Assess investment opportunities from a strategic perspective.
6. Capacity to adapt to changing environments.
7. Capacity to continue future learning independently, acquiring further knowledge and exploring new areas of knowledge.
8. Demonstrate initiative and work independently when required.
9. Formulate indebtedness and dividend policies.
10. Make decisions in situations of uncertainty and show an enterprising and innovative spirit.
11. Organise work, in terms of good time management and organisation and planning.
12. Select and generate the information needed for each problem, analyse it and make decisions based on this information.
13. Understand the formation of value from the perspective of shareholders.
14. Work as part of a team and be able to argue own proposals and validate or refuse the arguments of others in a reasonable manner.

## Content

1 Investment projects, financing projects and aggregated projects: Models

1.1 The corporate financial dynamics: earnings versus cash flows

1.2 Investment project models

1.3 Financing project models

1.4 The interaction between investment and financing projects: Aggregated projects

2 Capital budgeting criteria

2.1 The net final value from aggregated projects

2.2 The net present value

2.3 Internal rate of return versus maximum dividend

2.4 Anomalies in capital budgeting analysis: Mixed projects and Fisher rate

3 Risk and uncertainty in capital budgeting

3.1 Risk, uncertainty, forecasts and goals

- 3.2 Expected value, certainty equivalent and risk premium in capital budgeting
- 3.3 Estimating the required rate of return through the Security Market Line
- 3.4 Introduction to sensitivity analysis
- 4 Capital budgeting and strategy
  - 4.1 Market value as the core of capital budgeting
  - 4.2 Competitive advantage and project analysis
  - 4.3 The corporation as a portfolio of real projects
  - 4.4 Socially responsible capital budgeting: Environmental sustainability, social sustainability and financial sustainability
- 5 Real options
  - 5.1 Option analysis in real economics: Capturing and analysing opportunities
  - 5.2 The option to expand
  - 5.3 The option to abandon
  - 5.4 Introduction to real option valuation
- 6 Financing sources
  - 6.1 Debt versus equity
  - 6.2 Issuing new shares
  - 6.3 Internal financing
  - 6.4 The cost of capital
- 7 Introduction to financial structure and dividend policy
  - 7.1 Debt effects on corporation and shareholders
  - 7.2 Dividend effects on corporation and shareholders
  - 7.3 Financial policy and value creation
  - 7.4 Designing shares as a financial product

## **Methodology**

50% of credits are theoretical and 50% practical. Theory will be taught through lectures. Lecturers will introduce the topics encouraging students' participation through questions and observations. In each topic presentation of contents will be accompanied by the analysis of the reasoning methods applied.

The practical part will consist of problem solving (with and without software), analysis of corporate and financial market information, and selected readings. Students are expected to participate actively by solving exercises and analysing published information, especially financial websites of corporations. Problem solving in the classroom will insist in the usage of specific software (especially spreadsheets).

## Activities

Title	Hours	ECTS	Learning outcomes
Type: Directed			
	15	0.6	2, 3, 1, 13, 10, 12, 4
	28.5	1.14	2, 3, 1, 13
Type: Supervised			
	23	0.92	2, 3, 1, 7, 13, 11, 10, 12, 4
Type: Autonomous			
	11	0.44	7, 8, 11, 12, 14
	20	0.8	2, 3, 6, 1, 7, 13, 8, 11, 10, 12, 14, 4
	45	1.8	2, 3, 6, 1, 7, 13, 8, 11, 10, 12, 14, 4

## Evaluation

The evaluation of Finance II consists of two components:

- a) Continuous evaluation (40% of the grade)
- b) Final exam (60% of the grade)

The continuous evaluation consists of two written exercises according to the regulation of the Faculty of Economics and Business. Lecturers can also ask for additional exercises to be delivered.

The final grade is calculated as the weighted average of the mark on the continuous evaluation (40%) and the mark on the final exam (60%). To pass the subject students need an average grade higher than or equal to 5 (over 10).

Re-evaluation of the subject will consist of a retake exam and will be subject to the following rules of the Faculty of Economics and Business of the UAB.

### Rules of the Faculty of Economics and Business concerning «Re-evaluation»

Those students whose final grade is below 4 will have to retake the course. Those who achieve a final grade between 4.0 and 4.9 have the right to «re-evaluation». Teachers decide the format of this re-evaluation. The date of re-evaluation is scheduled in the examination calendar of the Faculty of Economics and Business. Re-evaluation is assessed on a «Pass / No pass» basis. The final grade for those students with «pass» is 5.0. If the student receives a «no pass» qualification, then s/he will have to retake the course and the final grade will be equal to the grade obtained before re-evaluation.

### Rules of the Faculty of Economics and Business concerning «Absent / No presentat»

A student is receives the grade «Absent / No presentat» as long as s/he does not participate in any evaluation activity. Therefore, a student who participates in any component of the «continuous evaluation» is not be eligible to get an «Absent / No presentat» grade.

Evaluation activity	Weight	Hours	ECTS
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Exam at the end of the semester	60%	3.5	0.14
First exam of continuous evaluation	15%	2	0.08
Second exam of continuous evaluation	25%	2	0.08

### Evaluation activities

Title	Weighting	Hours	ECTS	Learning outcomes
Final exam	60%	3.5	0.14	2, 1, 10, 12, 5
First exam of continuous evaluation	15%	2	0.08	2, 3, 1, 13
Second exam of continuous evaluation	25%	2	0.08	2, 3, 1, 13, 9, 5

### Bibliography

- BREALEY, R., S.C. MYERS, F. ALLEN. Principles of Corporate Finance, (10th Edition). McGraw-Hill, 2010.
- ROSS, S.A.; R.W. WESTERFIELD, J. JAFFE. Modern Financial Management, (9th edition). Nova York: McGraw-Hill, 2009.