

Finances II

2014/2015

Code: 102111
ECTS Credits: 6

| Degree | Type | Year | Semester |
|----------------------------------|------|------|----------|
| 2501231 Comptabilitat i Finances | OB | 3 | 1 |

Contact

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Use of languages

Principal working language: català (cat)
Some groups entirely in English: No
Some groups entirely in Catalan: Yes
Some groups entirely in Spanish: No

Objectives and Contextualisation

Finance II covers the principles of corporate finance in the Accounting and Finance 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

Content

Topics

1. Capital budgeting.
 - 1.1 The corporate financial dynamics: earnings versus cash flows
 - 1.2 The net terminal value as the outcome of aggregated projects.
 - 1.3 The net present value.
 - 1.4 Rates of return: Internal rate of return vs. maximum dividend.
 - 1.5 Anomalies in capital budgeting: Mixed projects and Fisher rate.

- 2 Risk in investing and financing decisions.
 - 2.1 Expected value, certainty equivalent and risk premium in capital budgeting
 - 2.2 Estimating the required rate of return through the Security Market Line
 - 2.3 Introduction to sensitivity analysis
 - 2.4 Risk in international investments and finance.
- 3 Introduction to financial structure and dividend policy
 - 3.1 Debt effects on corporation and shareholders
 - 3.2 Dividend effects on corporation and shareholders
 - 3.3 Financial policy and value creation
 - 3.4 Designing shares as a financial product .
- 4 . Introduction to option and futures valuation
 - 4.1 Call and put concepts.
 - 4.2 The put-call parity relationship.
 - 4.3 Binomial valuation.
 - 4.4 Introduction to futures prices.
- 5. Risk management through derivatives.
 - 5.1. Hedging strategies with forwards and futures.
 - 5.2 Hedging strategies with options.
 - 5.3 Hedging strategies with swaps.
- 6. Applying option theory to corporate debt analysis.
 - 6.1 Stocks of levered corporations as calls.
 - 6.2 Default option and limited liability.
 - 6.3 Cost of capital under limited liability
- 7 Real options
 - 7.1 Option analysis in real economics: Capturing and analysing opportunities
 - 7.2 The option to expand
 - 7.3 The option to abandon
 - 7.4 Introduction to real option valuation