

Finance and Corporate Governance

Code: 41983
ECTS Credits: 10

Degree	Type	Year	Semester
4311312 Management, Organization and Business Economics	OB	0	1

Contact

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Use of Languages

Principal working language: english (eng)

Prerequisites

No previous requirements are needed, although some general knowledge in statistics and optimization are welcome.

Objectives and Contextualisation

This module wants first to provide a relatively non-technical approach to modern microeconomic theory, and after that, it covers the major topics in corporate finance and corporate governance theory, with an emphasis on recent contributions and research questions. The main message we want to get through is that many situations can best be analyzed by (1) thinking about what's really going on in the "real world", (2) making use of the tools of microeconomics to re-interpret the problem and develop a simple model, and (3) thinking carefully about how to solve the model. For the first part, this will be illustrated in several areas, including information problems, certain aspects of monopoly theory, and oligopoly theory. The student will learn the topics covered in a traditional course such as: consumer theory, firms' decision-making and market structure, general equilibrium as well as information theory. The student will handle mathematical techniques for dealing with these issues. Therefore, by the end of the module the student will have enough bases to rigorously approach all sorts of topics covered in business strategy, corporate governance, finance and the theory of organizations.

For the remaining parts, this module covers the major topics in corporate finance, finance and corporate governance theory, with an emphasis on recent contributions and research questions. Having the students basic notions in finance, contract theory and game theory, the course will specially focus on corporate governance problems. The lectures will be on financial contracting under asymmetric information, incomplete contracts, control and corporate governance, and financial intermediation.

Competences

- Analyse the behaviour and the interrelationships among the different agents interested in the company's future.
- Apply knowledge of quantitative economics in the analysis of company financial policies.
- Be able to evaluate inequalities for reasons of sex and gender to design solutions.
- Develop a critical and a constructive attitude to one's work and that of others.
- Develop an ethical, social and environmental commitment.
- Display knowledge of the economic and institutional environment in which the economic agents interact within, or through, economic organisations.
- Explain and motivate the analyses, interpret the results and present all these clearly and concisely in English.

- Identify the relevant sources of information and their content for subsequent analysis.
- Leadership and decision-taking capability.
- Make use of quantitative documentary sources that are significant for the economic analysis of organisations from a critical perspective.
- Master the technical and IT tools needed to carry out applied studies.
- Present research results to various audiences using the different media available.
- Understand qualitative models of the firm and interpret their results.
- Understand the process of capital markets formation, their characteristics and their evolution for a better understanding of company governance.
- Work in multidisciplinary international teams.

Learning Outcomes

1. Apply knowledge of quantitative economics in the analysis of company financial policies.
2. Develop a critical and a constructive attitude to one's work and that of others.
3. Develop an ethical, social and environmental commitment.
4. Explain and motivate the analyses, interpret the results and present all these clearly and concisely in English.
5. Identify contributions from gender studies in the subject of research.
6. Identify the characteristics of the different agents linked to the company.
7. Identify the relevant sources of information and their content for subsequent analysis.
8. Know and distinguish the characteristics of the different business databases.
9. Know the different models of corporate governance.
10. Leadership and decision-taking capability.
11. Master the technical and IT tools needed to carry out applied studies.
12. Present research results to various audiences using the different media available.
13. Show mastery of the characteristics of the financial markets.
14. Understand and show mastery of the relationship with the firm.
15. Understand the current models of microstructure.
16. Understand the determining factors of government structures.
17. Understand the process of capital markets formation, their characteristics and their evolution for a better understanding of company governance.
18. Work in multidisciplinary international teams.

Content

The first part of the module will approach topics covered in a traditional Microeconomics course. The student will handle mathematical techniques for dealing with these issues. For the remaining parts, this course covers topics on finance and corporate finance, corporate governance, and some recent contributions and research questions.

The module have been divided in four parts: microeconomics, finance, corporate governance and additional research topics.

The following topics will be covered in Economics of Markets (Microeconomics):

1. Economics as a Behavioral Science. See how economists might think about a variety of problems
2. Consumer Behavior and Choice under Uncertainty
3. Production Theory and Production Costs
4. Profit Maximization and Monopoly
5. Oligopoly Theory
6. Information Economics

7. Information Economics. An Institutional Approach.

The following topics will be covered in Finance and Markets:

8. Risk, return and diversification

9. Portfolio theory

10. Simplifying portfolio theory

11. The capital asset pricing model

12. Valuing real assets

13. Capital structure

The following topics will be covered in Corporate Governance:

14. Introducing Capital Structure: Modigliani-Miller Theorems

15. Bankruptcy Costs and Debt Holder - Equity Holder Conflicts

16. Capital Structure and Corporate Strategy

17. Ownership and Control

18. Corporate governance and performance

19. Regulation and best practice codes

The following topics will be covered in the Seminar in Finance and Markets:

20. Market efficiency: Theory and empirical evidence

21. Behavioral Finance.

22. Financial Risks: Measures of credit risk

A detailed description of their contents can be found: <http://pagines.uab.cat/mmobe/>

Methodology

The module combines theoretical lectures and practical sessions that require the dynamic participation of students. Learning activities include: following lectures on the main topics, solving and handling problem sets and computer exercises, reading and critical reviewing of papers. All this is in an interactive fashion. Case preparations and in-class discussions will also become important benchmarks of student progress. In-class discussions give students an opportunity to apply material from the class to real-world problems. Other class sessions will be primarily dedicated to lecture material and shorter discussions.

The proposed teaching methodology may undergo some modifications according to the restrictions imposed by the health authorities on on-campus courses.

Annotation: Within the schedule set by the centre or degree programme, 15 minutes of one class will be reserved for students to evaluate their lecturers and their courses or modules through questionnaires.

Activities

Title	Hours	ECTS	Learning Outcomes
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Type: Directed

Directed	100	4	10, 16, 9, 8, 3, 15, 14, 6
Type: Supervised			
Supervised	25	1	18, 12, 2, 11, 13, 7
Type: Autonomous			
Autonomous	85	3.4	8, 3, 2, 13, 14, 4

Assessment

The evaluation system of the module includes:

- Assignments (solving problems sets, presentation of critical reviewing of papers, final essay)
- Class Participation (case and news discussion, short debates)
- Test (midterm and final exam)

The student will pass the module when the final mark is equal or higher than five (over ten).

The proposed evaluation activities may undergo some changes according to the restrictions imposed by the health authorities on on-campus courses.

Assessment Activities

Title	Weighting	Hours	ECTS	Learning Outcomes
Assignments	40	16	0.64	18, 16, 8, 11, 15, 14, 6, 5, 7
Class Participation	10	4	0.16	10, 12, 3, 2, 4, 5
Exams	50	20	0.8	1, 16, 17, 9, 3, 13, 14, 4

Bibliography

Most relevant bibliography:

Books:

Bowles, Samuel (2004); "Microeconomics, Behavior, Institutions and Evolution"; Rusell Sage Foundation and Princeton University Press.

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Kreps, David (1990), "A Course in Microeconomic Theory"; Princeton University Press.

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Scientific articles:

Baker, M., Wurgler, J., & Yu, Y. (2012). "Global, local, and contagious investor sentiment". Journal of Financial Economics, 104, 272-287.

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Thomsen, S. and T. Pedersen (2000), "Ownership Structure and Economic Performance in the Largest European Companies", *Strategic Management Journal*, 21, 689-705.

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Books:

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Brealey, R.A., and S.C. Myers (2003), "Principles of Corporate Finance", McGraw-Hill, 7 ed.

Elton, E., Martin, J.G., Brown, S.J., and W.N. Goetzmann (2003), "Modern Portfolio Theory and Investment Analysis", John Wiley & Sons, 6 ed.

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Ross, S.a., R.W., Westerfield, and B.D. Jordan (2000), "Fundamentals of Corporate finance", McGraw-Hill, 5 ed

Sharpe, W.F., G. J. Alexander, and J. V. Bailey (1999), "Investments", Prentice Hall, 6. Ed.

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Software

Microsoft Excel