Course: Corporate Finance I  
Code: 10BBA30005  
Type: Required  
Year: 1  
Semester: 1  
ECTS Credits: 4  
Language: Castellano  
Coordination:  
Faculty:  
Jesús Palau Montañana  
Lydia Ros Frizón  

Course Requirements:


Previous Knowledge:

Workload Distribution:

Lectures: 22 hours  
Participatory sessions: 22 hours  
Independent study: 80 hours  
Tutorials / feedback: 4 hours  

Course Contribution to the Programme:

For a Business Management degree student, it is essential to be able to identify threats and opportunities in value creation in a company; to know the different value measurement models, understanding their advantages and limitations, and to be able to apply them when selecting investments and resources for the company, identifying the contribution made by Financial Management to value creation for the shareholder.

Course Learning Objectives:

After studying this material, students should be able to:

- Understand the determining factors in value creation for the shareholder.
- Model and structure their knowledge in such a way as to be able to apply it to the processes of investments and company valuations.

Skills Developed:

- The ability to acquire, understand and structure knowledge critically.
- The ability to apply knowledge in order to obtain results.
Contents and Methodology:

Block 1: Long-Term Financial Planning

Basic concepts
Preparing Balance Sheets and Provisional Trading Accounts
Business Plan: Analysis and discussion

Block 2: Investment Selection Analysis and Projects.

Net Present Value, Internal Rate of Return (NPV and IRR) and Payback: Underlying Assumptions.
The WACC: Weighted Average Cost of Capital, a first approach
Project selection: VAN vs TIR

Block 3: Cost of Capital

Capital Market Line Diversification
Cost of shareholders equity
The Capital Asset Pricing Model (CAPM) as an instrument to determine the cost of shareholders equity.
The cost of shareholders equity and leverage.
The cost of debt.
The WACC: Weighted Average Cost of Capital.
Introduction to optimal financial structure.

Block 4: Company Valuation

Importance
Value and price
Valuation methods and systems:
   Discounted Cash-Flow valuation model.
   Dividend valuation model.
   Multiple valuation model.
How the various valuation methods interrelate.

Participatory and teacher-led class activities:

Teacher-led classes: The Professor combines explanations of theory and exercises.
Participatory classes: the student works on exercises under the Professor’s guidance.
Voluntary tutorials for those students who need help to complete the exercises, and in the use of different instruments.

Evaluation:

First exam session:
Continuous assessment: Tests and participation account for 30% of the final grade.
Final exam: this accounts for 70% of the final grade.
However, students must achieve a grade of 5 or over in the final exam to pass the course in the first exam session.

Extraordinary exam session:

Continuous assessment grades will be kept, as the evaluation system is equivalent to the ordinary exam; that is to say, a grade of 5 or over in the extraordinary exam is needed to pass the course.

Later exams:

The continuous assessment grades will have no effect on later exam sessions.

Core bibliography:

Principios de Finanzas Corporativas, 8ª edición
- Allen Franklin; Myers Stewart; Brealey Richard
- Editorial McGraw-Hill; 8 edición (22/02/2006)

Finanzas Corporativas, 7ª edición
- Ross, Stephen A.; Westerfield, Randolph W. & Jaffe, Jeffey
- Editorial McGraw-Hill; 7 edición (01/06/2005)