Corporate Finance I 2014 - 2015

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<tr>
<th>Degree</th>
<th>Type</th>
<th>Year</th>
<th>Semester</th>
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<td>2501572 Administració i Direcció d'Empreses</td>
<td>OB</td>
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<td>2501573 Economia</td>
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Contact

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Email: Teya.Bosch@uab.cat

Use of languages

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

Prerequisites

Standard requirements for the third course of the degree. The students registered in this subject are supposed to have the skills assigned to the previous courses.

Objectives and Contextualisation

This subject introduces students in the financial foundations for the degrees to which it belongs. They will learn to think in financial terms and the similarities and differences between financial and real economic analysis.

The course is centred on the financial market distinctive features, and on value creation from the twofold perspective of markets and corporations. Topics will we studied from the perspective of the two dimensions of finance: time and risk.

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 the creation of value in finance markets.
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. Demonstrate knowledge of the variables determining the formation of value.
10. Describe the characteristics and objectives of financial regulation from the perspective of market efficiency.
11. Make decisions in situations of uncertainty and show an enterprising and innovative spirit.
12. Organise work, in terms of good time management and organisation and planning.
13. Select and generate the information needed for each problem, analyse it and make decisions based on this information.
14. Select and interpret the financial information of markets and companies.
15. Understand the formation of value from the perspective of shareholders.
16. 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 Assets and valuation principles
1.1 Primitive and derivative assets
1.2 Basic financial operations: Investment, speculation, hedging and arbitrage.
1.3 Capitalization and discounting.
1.4 The twofold dimension of finance: Time and risk.

2 Financial markets and their role in asset valuation
2.1 Concept and functions of the financial market. Primary and secondary market.
2.2 The stock and fixed income markets.
2.3 How derivative markets work.
2.4 Introduction to hedging with derivatives.

3 Diversification and portfolio selection
3.1 Common stocks risk and return.
3.2 Portfolios risk and return.
3.3 Diversification and risk reduction

3.4 The Markowitz portfolio selection model.

4 The Capital Asset Pricing Model

4.1 Introducing the risk free interest rate in portfolio selection: The separation theorem.

4.2 The market portfolio and the Capital Market Line.

4.3 The Security Market Line

4.4 Systematic risk vs. specific risk.

5. The efficiency of financial markets

5.1. Concept and properties of efficient capital markets.

5.2 Anomalies and noise.

5.3 Bubbles and crisis.

5.4. Financial markets regulation.

5.5 Ethics in financial markets.


6.1 Required rate of return and risk premia.

6.2. Bond valuation.

6.3 Common stocks valuation: earnings and dividends.

6.4 Common stocks valuation: Growth opportunities

7. Introduction to option and futures valuation

7.1 Call and put concepts.

7.2 The put-call parity relationship.

7.3 Binomial valuation.

7.4 Introduction to futures price

Bibliography


