



Academic year	2013-14
Subject	21207 - Investment and Business Financing
Group	Group 60, 2S, GADE
Teaching guide	F
Language	English

Subject identification

Subject	21207 - Investment and Business Financing
Credits	1.8 in-class (45 hours) 4.2 distance (105 hours) 6 totals (150 hours).
Group	Group 60, 2S, GADE(Campus Extens)
Teaching period	2nd semester
Teaching language	English

Lecturers

Lecturers	Timetable for student attention					
	Starting time	Finishing time	Day	Start date	Finish date	Office
Ramón Miguel Palou Amengual ramon.palou@uib.es	11:00h	12:00h	Monday	03/02/2014	31/07/2014	db 21

Degrees where the subject is taught

Degree	Character	Course	Studies
Degree in Business Administration	Compulsory	Second year	Degree
	Compulsory	Second year	Degree

Contextualisation

To run a company there must be investors that provide enough capital to start the necessary investments. These investments give shape to what is company itself. Is not the same to invest in hotels than car industry, in the first case would constitute a tourism company and the second an industrial one, both completely different. Each of these possibilities will have some advantages and some disadvantages. This from the financial point of view; will be translated into expectations of increased income and risk investment. One of the first and most basic financial decisions to be taken by the company is to decide the best alternative, and there are a number of techniques that will be studied in this course and can help to decide. The basic premise is that companies are not isolated in the world, financially speaking. Investors, rather than investing in the company can always invest in financial markets. The return that investors can get in financial markets under similar conditions of risk it is the opportunity cost of investments. Therefore, the alternative investment selection techniques always try to identify options that offer a higher return than this opportunity cost. To understand what this opportunity cost means, the functioning of financial markets need to be understood. Specifically how risk is remunerated, for this reason, this subject is placed after the subject of Financial Economics seen in the first semester. In addition, companies may seek funding from two very different type of investors, owners (shareholders in companies) and lenders (banks or investors who buy debt issued by the company traded on financial markets, etc...). The combination of funds from owners and lenders funds affects the investment-generating resources. For example, interest paid on debt reduces the profitability of the company, thereby reducing the taxes paid. The investment selection Techniques also take into account the effect of debt on resources generated by investments. Debt is a source of primary funding in the company, accelerates the growth of the business but also provides financial risk. That is why in this subject we will study the main sources of debt financing. Definitely, this subject includes what is known as Corporate Finance, seeking investment decisions (which projects to undertake), financing decisions (from where we obtain resources to





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finance investment), and short-term financial management (daily cash forecasting, etc.). From all this, we will focus on investment decisions by considering the effects of how to finance the company, see a description and analysis of the different sources of corporate funding, and as introduction to corporate finance we will see how we can analyze accounting data to make financial decisions. To understand the financial situation of a company, information to analyze for the viability of a project, etc... Other key aspects of Corporate Finance that will not be on this subject will be discussed in two later subjects; Business Risk Management and Financial Management.

Requirements

As was mentioned in the contextualization of this subject, one of the fundamental aspects of Corporate Finance is to understand the financial environment, companies are not isolated entities, are affected by what happens in the world. Therefore it is recommended to have completed previous subjects as Introduction to Markets and Financial Operations and Financial Economics. In the first, apart from the description of the financial environment and the analysis of fixed income assets, the technique is relevant (financial mathematics). The second is essential to understand the remuneration of risk in financial markets. Moreover, accounting information is the basic information generated by the companies for financial decisions, and obviously the student must know to use it.

Essential requirements

Written and spoken English at an intermediate level.

Recommendable

- * Introduction to Markets and Financial Operations
- * Financial Accounting I
- * Financial Economics

Skills

Specific

1. CE2.1. Analyze a company in their environment by using various technical tools..
2. CE2.2.3. Integrate in any functional area of a medium or large organization and play with ease any task of management, especially all those related to financial economics and corporate finance..
3. CE2.3.3. Prepare financial decisions or financial aspects in companies and organizations, especially in operational and tactical levels..
4. CE.2.4 Defending the proposed solutions in an articulated using knowledge theoretical and technical knowledge..

Generic

1. CG1 Ability to work as a team...
2. CG3 To be able to communicate in English..
3. CG4 To be able to use routinely a wide range of different information technologies and communication tools..



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4. CG6(CB4) To be able to use information, ideas, problems and solutions to both specialized as non-specialized public..
5. CG7(CB5) Have developed those learning skills necessary to undertake further studies with a high degree of autonomy..

Content

Theme content

1. Introduction to Financial Management

We'll see the place of the Finance Department within the company, and what kind of functions it does. In addition, we'll discuss how the goals of the company, which affect the objectives of the Finance Department, may be altered by the separation between ownership and control, and the confluence of different objectives may have actors involved in the company. In this context we'll see the existing mechanisms to resolve these conflicts, such as recommendations of codes of good governance.

2. Financial Analysis

In this chapter we try to see how to use financial reporting, accounting information primarily, to analyze the economic and financial situation of a company and for making certain important financial decisions such as the decision to carry out significant investments.

3. Selection of investment projects

Study of different methods to determine which investment projects are appropriate for the company i.e. that offers more than the opportunity cost of capital and within these which is the most appropriate according the objectives of the study.

4. Projects analysis and evaluation

Tools for selecting of investment projects are based on forecasts. In fact the same investment decisions are based on forecasts. Here we will see different ways of working with these estimates, controlling the risk we face when working with estimates.

5. Main sources of funding in financial markets

Financial markets are an alternative to bank financing. This module discusses the main ways in which companies can be financed in financial markets. Basically the issue of debt and property titles (shares in the case of companies).

6. Weighted Average Cost of Capital

This module discusses the determination of the opportunity cost of the investments that the company plan, cost of capital for simple cases, which generally are the majority. That is, when a company is studying new investments projects with similar characteristics to the company itself and no changes in the funding policy of the company.

7. Adjusted Present Value

When new investments projects of the company are substantially different from those which make its activity, or involve a significant financial restructuring, we must go one step further in determining the opportunity cost of capital, determining the cost of capital. This module will give this step, for these special cases, we will see different ways of calculating the cost of capital using the information that we can obtain from financial markets (comparison method), and how we can act if we did not find valid information in financial markets.

8. Main sources of bank financing



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Financial institutions offer different financing options. We'll discuss the major funding for both long-term and short-term (discount lines, credits lines, confirming, lending operations, etc.).

Teaching methodology

In-class work activities

Modality	Name	Typ. Grp.	Description
Theory classes	Theory	Large group (G)	The teacher will present the theoretical foundations of the subject. At the same time, made practical examples for the correct understanding of theoretical contents. In each subject, the student will have information on the material that will be used to independently prepare content. It will promote active student participation.
Practical classes	Practice	Medium group (M)	By the method of solving exercises and problems, students put into practice the knowledge acquired in theory classes. It will promote active student participation.
Assessment	Final Exam	Large group (G)	It consists on a final written exam on June. If the student fails, there is a retake examination on September.
Assessment	Partial Exam	Medium group (M)	It is a partial exam that includes theory and practice. It will cover Chapters 1 to 4.

Distance education work activities

Modality	Name	Description
Individual self-study	Individual study	The student must dedicate time to personal study to be able to understand the contents of the subject.
Group self-study	Group Work 1	Once finished first chapters, student's groups must work on these issues proposed by the teacher. The aims of these works are to practice the knowledge and encourage skills of teamwork.
Group self-study	Group Work 2	In the second part of the course, student's groups must work on a second task proposed by the teacher. The aims of these works are to put into practice the knowledge and encourage skills of teamwork.
Group or individual self-study	Proposed exercises	Students have to work individually or in group on solving exercises by themselves to be sure they understand the theory and are able to put into practice.





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Specific risks and protective measures

The learning activities of this course do not entail specific health or safety risks for the students and therefore no special protective measures are needed.

Workload estimate

Modality	Name	Hours	ECTS	%
In-class work activities		45	1.8	30
Theory classes	Theory	30	1.2	20
Practical classes	Practice	11.5	0.46	7.67
Assessment	Final Exam	2	0.08	1.33
Assessment	Partial Exam	1.5	0.06	1
Distance education work activities		105	4.2	70
Individual self-study	Individual study	50	2	33.33
Group self-study	Group Work 1	10	0.4	6.67
Group self-study	Group Work 2	10	0.4	6.67
Group or individual self-study	Proposed exercises	35	1.4	23.33
Total		150	6	100

At the beginning of the semester a schedule of the subject will be made available to students through the UIBdigital platform. The schedule shall at least include the dates when the continuing assessment tests will be conducted and the hand-in dates for the assignments. In addition, the lecturer shall inform students as to whether the subject work plan will be carried out through the schedule or through another way included in the Campus Extens platform.

Student learning assessment

Theory

Modality	Theory classes
Technique	Observation techniques (Non-retrievable)
Description	The teacher will present the theoretical foundations of the subject. At the same time, made practical examples for the correct understanding of theoretical contents. In each subject, the student will have information on the material that will be used to independently prepare content. It will promote active student participation.
Assessment criteria	Active participation in class will be evaluated, as well as the participation in academic activities proposed by the professor.

Percentage of final qualification: 5% following path A





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Practice

Modality	Practical classes
Technique	Observation techniques (Non-retrievable)
Description	By the method of solving exercises and problems, students put into practice the knowledge acquired in theory classes. It will promote active student participation.
Assessment criteria	Active participation in class will be evaluated, as well as the participation in academic activities proposed by the professor.

Percentage of final qualification: 5% following path A

Final Exam

Modality	Assessment
Technique	Objective tests (Retrieval)
Description	It consists on a final written exam on June. If the student fails, there is a retake examination on September.
Assessment criteria	Theory and exercises to be solved on the exam.

To pass the course the student should get a 4 or higher on the final exam.

Percentage of final qualification: 50% following path A

Partial Exam

Modality	Assessment
Technique	Objective tests (Non-retrievable)
Description	It is a partial exam that includes theory and practice. It will cover Chapters 1 to 4.
Assessment criteria	Theory and exercises to be solved on the exam.

Percentage of final qualification: 20% following path A

Group Work 1

Modality	Group self-study
Technique	Papers and projects (Non-retrievable)
Description	Once finished first chapters, student's groups must work on these issues proposed by the teacher. The aims of these works are to practice the knowledge and encourage skills of teamwork.

Assessment criteria

Percentage of final qualification: 10% following path A





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Group Work 2

Modality	Group self-study
Technique	Papers and projects (Non-retrievable)
Description	In the second part of the course, student's groups must work on a second task proposed by the teacher. The aims of these works are to put into practice the knowledge and encourage skills of teamwork.
Assessment criteria	
Percentage of final qualification:	10% following path A

Resources, bibliography and additional documentation

Basic bibliography

- * Ross, Westerfield and Jordan (2010) Fundamentals of Corporate Finance. 9th edition. McGraw-Hill

Complementary bibliography

- * Brealey, Myers and Allen (2010) Principles of Corporate Finance. 9th edition. McGraw-Hill
- * Brealey, Myers y Marcus (2007) Fundamentals of Corporate Finance. 6th edition. McGraw-Hill
- * Grimblatt and Titman (2002) Financial Markets and Corporate Strategy. 2nd edition. McGraw-Hill
- * Lassala, Medal, Navarro, Sanchis, y Soler (2007) Dirección Financiera II-Métodos de Financiación Empresarial. Ed. Pirámide
- * Pedreira (2007) Fundamentos de Financiación. Ed. Universitaria Ramon Areces
- * Pedreira (2007) Manual de Teoría de la Financiación. Ed. Universitaria Ramon Areces
- * Ross, Westerfield and Jaffe (2009) Corporate Finance. 9th edition. McGraw-Hill

Other resources

Material prepared by teachers and readings