

TEACHING PLAN FOR

• CORPORATE FINANCE

1. Basic description

Name of the course: Corporate Finance
Academic year: 2014-2015
Term: 2nd
Degree / Course: International Business Program
Code: 80228
Number of credits: 6
Total number of hours committed: 150
Teaching language: English
Lecturer: Jaume Bonet
Timetable: Tuesdays, 09:00 – 11:30
 Thursdays, 09:00 – 11:30

Office Hours: Tuesdays, 08:00 – 09:00
 Thursdays, 08:00 – 09:00

2. Presentation of the course

In the international sphere, the used accounting principles are converging (IFRS, USGAAP, etc.). In this context, and in order to take important business decisions, it is imperative to be able to build, read, understand and analyze the financial statements of companies, no matter which country they are from.

One of the goals of the course is that students master the vocabulary of financial statements and accounting reports, and use it to communicate with internal and external interlocutors. It also focuses on how to measure corporate investments and to consider the different finance resources that are currently available.

The course covers different areas:

After introducing the basic concepts of Financial Accounting, you will perform the analysis and interpretation of the financial statements, using different methods, in order to assess the trend of a company.

Another important issue is to be able to calculate present and future value of money and understand all the components of interest rates. These concepts will be essential to calculate rates of return and evaluate all the decisions in capital budgeting.

Participants will be able to manage the corporate working capital and forecast financial statements. From this information, they could estimate future cash flows and perform a company valuation.

3. Competences to be achieved in the course

General competences	Specific competences
<p data-bbox="308 488 671 517">Instrumental competences</p> <p data-bbox="212 555 766 613">G.I.2. Ability to relate concepts and knowledge from different areas.</p> <p data-bbox="212 618 766 676">G.I.4. Ability to tackle and solve problems.</p> <p data-bbox="212 680 766 739">G.I.5. Ability to take decisions in complex and changing environments.</p> <p data-bbox="212 743 766 801">G.I.8. Oral and written competence in communicating in English.</p> <p data-bbox="252 840 667 869">General personal competences</p> <p data-bbox="212 907 766 1032">G.P.1. Ability to adapt, lead and work in a group that is multicultural, interdisciplinary, competitive, changing and complex in nature.</p> <p data-bbox="212 1037 766 1095">G.P.3. Moral commitment and ethical sense.</p> <p data-bbox="252 1133 667 1162">Generic systemic competences</p> <p data-bbox="212 1200 627 1229">G.S.3. Ability to think globally.</p> <p data-bbox="212 1234 663 1263">G.S.4. Entrepreneurial capability.</p> <p data-bbox="212 1267 700 1296">G.S.5. Ability to learn on one's own.</p> <p data-bbox="260 1335 659 1364">Competences for applicability</p> <p data-bbox="212 1402 766 1460">G.A.1. Ability to apply acquired knowledge and skills.</p> <p data-bbox="212 1464 766 1554">G.A.2. Ability to use quantitative criteria and qualitative insights when taking decisions.</p> <p data-bbox="212 1559 766 1617">G.A.3. Ability to search and exploit new information sources.</p>	<p data-bbox="863 488 1206 517">Disciplinary competences</p> <p data-bbox="791 555 1345 680">E.D.10. Introduce basic financial concepts and analytical techniques and introduce their application to international transactions.</p> <p data-bbox="863 719 1214 748">Professional competences</p> <p data-bbox="791 786 1345 866">E.P.1. Ability to understand the decisions taken by economic agents and their interaction in the markets.</p> <p data-bbox="791 871 1345 967">E.P.2. Ability to analyse economic and market indicators when taking decisions within the organisation.</p> <p data-bbox="791 972 1345 1030">E.P.9. Assess and discuss the economic and financial position of an organisation.</p> <p data-bbox="791 1034 1345 1191">E.P.17. Ability to express and understand spoken and written communication in English at an advanced level in the international business environment.</p> <p data-bbox="791 1196 1345 1254">E.P.24. Develop the ability to synthesise.</p>

Own competences of the subject

Ability to understand and analyze Corporate Financial Statements in order to evaluate the financial and economic situation of a company.

Ability to forecast financial statements of a company.

Ability to perform a company valuation.

4. Contents

PART 1: BASICS IN FINANCIAL ACCOUNTING

- 1.1. Accounting equation and accounting cycle
- 1.2. Comprehensive chart of accounts
- 1.3. Main Financial Statements
 - 1.3.1. Balance Sheet
 - 1.3.2. Income Statement
 - 1.3.3. Statement of Owner's Equity
 - 1.3.4. Cash Flow Statement
- 1.4. Main differences between IFRS and U.S. GAAP

PART 2: CASH FLOW MANAGEMENT

- 2.1. Economic Cash Flow vs. Financial Cash Flow
- 2.2. Calculation methods to Financial Cash Flow: Direct and Indirect
- 2.3. Free Cash Flow
- 2.4. The high profit/no cash paradox

PART 3: FINANCIAL STATEMENTS ANALYSIS

- 3.1. Horizontal Analysis
- 3.2. Vertical Analysis
- 3.3. Ratio Analysis
 - 3.3.1. Liquidity
 - 3.3.2. Asset Management
 - 3.3.3. Debt Management
 - 3.3.4. Profitability: ROA, ROI and ROE
 - 3.3.5. DuPont Analysis

PART 4: COST ACCOUNTING

- 4.1. Direct and Indirect Costs
- 4.2. Variable and Fixed Costs
- 4.3. Costs Allocation
- 4.4. Break-even Point

PART 5: TIME VALUE OF MONEY

- 5.1. Future Values and Present Values
- 5.2. Slump Sum
- 5.3. Annuities
- 5.4. Perpetuities
- 5.5. Uneven Cash Flows

PART 6: INTEREST RATES

- 6.1. The Cost of money
- 6.2. Determinants of Market Interest
- 6.3. The Term Structure of Interest Rates

PART 7: RISKS AND RATES OF RETURN

- 7.1. Risk-Return Trade-Off
- 7.2. Stand-Alone Risk
- 7.3. Risk in a Portfolio Context (CAPM)
- 7.4. Relationship between Risk and Rates of Return

PART 8: COST OF CAPITAL

- 8.1. Weighted Average Cost of Capital (WACC)
- 8.2. Basic Definitions
- 8.3. Factors that Affect the WACC

PART 9: BASICS OF CAPITAL BUDGETING

- 9.1. Net Present Value
- 9.2. Internal Rate of Return
- 9.3. Modified Internal Rate of Return
- 9.4. Payback Period

PART 10: CASH FLOW ESTIMATION AND RISK ANALYSIS

- 10.1. Conceptual Issues in Cash Flow Estimation
- 10.2. Analysis of an Expansion Project
- 10.3. Replacement Analysis

PART 11: WORKING CAPITAL MANAGEMENT

- 11.1. Current Assets Investing and Financing Policies
- 11.2. Cash Conversion Cycle
- 11.3. Cash Budget
- 11.4. Inventories and accounts Receivable
- 11.5. Accounts Payable and Bank Loans
- 11.6. Accruals

PART 12: FINANCIAL PLANNING AND FORECASTING

- 12.1. Sales Forecast
- 12.2. Forecasted Financial Statements
- 12.3. Analyzing the Effect of Changing Ratios
- 12.4. Company Valuation Methods
 - 12.4.1. DCF
 - 12.4.2. Multiples
 - 12.4.3. Venture Capitalist

5. Assessment

The final grade will be determined by the weighted average of the following activities carried out throughout the term:

Assessment elements	Time period	Type of assessment		Assessment agent			Type of activity	Grouping		Weight (%)
		Comp	Opt	Lecturer	Self-assess	Co-assess		Indiv	Group (#)	
In-class quizzes, assigned exercises and cases	During the term	X		X			Conceptual and application	X		15%
Class participation	On-going		X	X			Analysis, application and synthesis	X		10%
Midterm exam	Week 5	X		X			Conceptual, application, and overall understanding	X		25%
Group case	Week 10	X		X			Application		X	10%
Final exam (a minimum grade of 4 is required to pass the course)	Exam Week	X		X			Conceptual, application, and overall understanding	X		40%

Taking the final exam is **a necessary condition** to receive a quantitative evaluation of the course. In case of non-attendance to the final exam, the student will receive an "N.A." grade.

Class participation will be evaluated as 10%, contributing up to 1 point (out of 10) to the final grade. Only those students who fulfil the following criteria can obtain partial or full credit in this category of the assessment:

- . demonstrate preparation: relate things to book chapters, readings and cases
- . contribute in an active and significant way to ongoing class discussions

Supplementary Evaluation

For those students who during the regular term evaluation have obtained a weighted final grade below 5.0, but have obtained a continuous evaluation above 4.0 (In-class Quizzes and assigned exercises, Group Case and class participation), there will be a supplementary evaluation according to ESCI-UPF calendar and academic regulations. This supplementary evaluation will imply a re-take of the final exam that will account for 40% of the total grade. The total final grade will keep the obtained grades in the rest of continuous evaluation elements.

6. Bibliography and teaching resources

- Basic bibliography
 - BRIGHAM, HOUSTON. Fundamentals of Financial Management. Concise Edition. Cengage Learning (8th edition). 2015
 - WARREN, REEVE & DUCHAC. Managerial Accounting. Cengage Learning (12th Edition). 2014

- Supplementary bibliography
 - JONES, MOWEN, HANSEN, RICH. Financial Accounting: The Cornerstone of Business Decisions. Cengage Learning (2nd edition). 2012
 - POWERS & NEEDLES. International Financial Reporting Standards. An introduction. South-Western, Cengage Learning (3rd edition). 2010
 - DRURY. Management and Cost Accounting. Cengage Learning (8th edition). 2012
 - BREALEY & MYERS. Principles of Corporate Finance. Mc Graw-Hill Education (11th edition). 2013

7. Methodology

The teaching and learning processes will be based on lecturer's slides, readings of the recommended books and practical cases. It is **mandatory** to have read each case before the class in order to be able to solve it during the session.

8. Scheduling activities

Week	Session	In class	Class preparation
Week 1	Lecture 1	Basic accounting concepts, Financial Statements	Brigham, chapter 3
	Lecture 2	Financial Statement Analysis	Brigham, chapter 4
Week 2	Lecture 3	Case studies and exercises	Warren, chapter 3 and 4 Drury, chapter 2, 3 and 8
	Lecture 4	Cost Accounting	
Week 3	Lecture 5	Case studies and exercises	Brigham, chapter 5
	Lecture 6	Time Value of Money	
Week 4	Lecture 7	Interest Rates	Brigham, chapter 6
	Lecture 8	Case studies and exercises	
Week 5	Lecture 9	Risks and Rates of Return	Brigham, chapter 8
	Lecture 10	Midterm exam	
Week 6	Lecture 11	Cost of Capital	Brigham, chapter 10
	Lecture 12	Case studies and exercises	
Week 7	Lecture 13	Basics of Capital Budgeting	Brigham, chapter 11
	Lecture 14	Case studies and exercises	
Week 8	Lecture 15	Cash Flow estimation and risk analysis	Brigham, chapter 12 Brigham, chapter 15
	Lecture 16	Working Capital Management	
Week 9	Lecture 17	Financial planning and forecasting	Brigham, chapter 16
	Lecture 18	Case studies and exercises	
Week 10	Lecture 19	Company Valuation Methods	
	Lecture 20	Case studies and exercises	
Final exams week		Final exam	