



BACHELOR'S DEGREE IN BUSINESS ADMINISTRATION

Course	Asset Valuation and Investment Analysis	Code	802283
Module	Finance	Area	Financial management
Character	Compulsory		
Credits	6	Attendance	2.7
		Non Attendance	3.3
Year	Third	Semester	5

Department	DEPARTMENT OF FINANCIAL ECONOMICS AND ACCOUNTING III Coordinator: José Martí Pellón		
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SYNOPSIS

SHORT DESCRIPTION
Capital budgeting: review and special situations. Risk and return in long term investments. Financial investments and portfolio management.
RECOMMENDED BACKGROUND
The background needed for this subject is statistics, financial mathematics and foundations of corporate finance
EDUCATIONAL GOALS
OBJETIVES (Results of the learning process)
Introducing students into theoretical and practical concepts related with asset valuation, investment analysis, and project selection within real and



financial assets. It is intended for the student to become familiar with investment definitions and asset valuation, risk and riskless investment analysis, methodologies for investment selection and financial management with special references to portfolio management.

COMPETENCIES

General: CG1, CG2, CG3, CG4.

Cross-sectional: CT1, CT4, CT5.

Specific: CE3, CE4, CE5, CE6, CE7.

LEARNING METHODOLOGY

A mixed methodology of teaching and learning will be used in all educational activities with the aim of encouraging students to develop a collaborative and cooperative attitude in the pursuit of knowledge.

CONTENTS

1. Review of basic concepts about capital budgeting
2. Special situations in capital budgeting
3. Different ways to consider risk in capital budgeting
4. Fundamental analysis
5. Technical analysis
6. Risk- and return for individual assets and portfolios
7. Portfolio selection
8. Valuation of capital assets



TEACHING ACTIVITIES	% OF TOTAL CREDITS	ATTENDANCE
Lectures	20%	100%
Classes	20%	75%
Tutorials	6%	100%
Assessment activities	4%	100%
Homeworks and class assignments	20%	0%
Time to study	30%	0%

ASSESSMENT		
EXAM	Weight in the final mark	50%
Final exam		
Other activity	Weight in the final mark	40%
Continuous assessment based on attendance, on time delivery of essays and coursework and intermediate tests carried out without previous notice. Seminars will be organized every four weeks.		
Other activity	Weight in the final mark	10%
Assessment of regular participation and proper attitude in class.		
ASSESSMENT RULES		
<p>Exam: The written exam will be organized jointly with the remaining groups to enhance coordination. The <u>minimum mark to compute the final average is 5 out of 10 points</u>. In case of students who have used illegal methods in the previous call, the department will conduct an oral examination in the next call.</p> <p>Continuous assessment: Objective assessment of attendance, delivery of coursework and results on intermediate test(s). Subjective assessment of attitude and participation. <u>Minimum attendance of 75% is required to provide a mark on continuous assessment.</u></p> <p>Note: According to the coordinated assessment process across subjects, any student has the right to report his/her interest to withdraw during the first six weeks. From that moment on, any student failing to attend the final exams will receive a FAILED mark in the final grade in June. Nevertheless, those students not attending the exam in the second chance (Convocatoria extraordinaria) will not be graded.</p> <p>In the ordinary call, the student may qualify for the score 'Not Presented' if he/she stop attending classes or performing practical activities of the subject</p>		



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during the first month and a half of teaching. After this period, it is understood that for all purposes the student will be examined by the system of continuous assessment

In the extraordinary call, if the student does not sit for the exam, the rating will be NP (not evaluated), regardless whether he/she followed the continuous assessment. In the case the student sits for the exam, the grade will be the result of applying the evaluation criteria set in the course tab.



ESTIMATED DETAILED SCHEDULE

Week	Chapter: description, minimum contents and activities
1	<p>1.- Review of basic concepts about capital budgeting.</p> <p>1.1 NPV, IRR and other methods</p> <ul style="list-style-type: none">○ Minimum content: Chapters 4 and 5 (Sections 1-4) of ROSS, S; WESTERFIELD, R.; JAFFE, J. (2012), <i>Corporate Finance</i>, 10th edition, McGraw-Hill, New York. (RWJ 2012, henceforth)○ Exercises
2	<p>1.- Review of basic concepts about capital budgeting.</p> <p>1.2 Free cash flow projections</p> <ul style="list-style-type: none">○ Minimum content: Chapter 6 (Sections 1-4) of RWJ (2012)○ Activities: Exercises
3	<p>2.- Special situations in capital budgeting.</p> <p>2.1 Investments with negative intermediate cash flows</p> <p>2.2 IRR problems with negative intermediate cash flows</p> <p>2.3 Modified IRR calculation</p> <p>2.4. Investments with unequal lives</p> <ul style="list-style-type: none">○ Minimum content: Chapters 5 (Section 5) and 6 (Section 5) of RWJ (2012) plus sections 3 and 4 of Chapter 7 in Suárez Suárez (2014). <i>Decisiones Óptimas de Inversión y Financiación en la Empresa</i> (22nd ed.). Ed. Pirámide, Madrid.○ Activities: Exercises
4	<p>Seminar about exercises on Chapters 1 & 2</p> <ul style="list-style-type: none">○ Activities: Exercises
5	<p>3.- Different ways to consider risk in capital budgeting.</p> <p>3.1. Simplified approach: Risk adjusted discount rates or certainty-equivalent cash flows</p> <p>3.2. Statistical approach: Probability of NPV being positive</p> <ul style="list-style-type: none">○ Minimum content: Chapter 7 (Section 1) of RWJ (2012) and slides○ Recommended: Chapters 11 and 12 in Suárez Suárez (2014)○ Activities: Exercises
6	<p>3.- Different ways to consider risk in capital budgeting.</p> <p>3.3. Monte Carlo Simulation</p> <ul style="list-style-type: none">○ Minimum content: Chapter 7 (Section 2) of RWJ (2012) and slides○ Recommended: Chapter 13 in Suárez Suárez (2014)



7 3.- Different ways to consider risk in capital budgeting.

3.4. Decision trees

- Minimum content: Chapter 7 (Section 4) of RWJ (2012) and slides
 - Recommended: Chapter 13 in Suárez Suárez (2014)
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8 Seminar about exercises on Chapter 3

- Activities: Exercises
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9 4.- Fundamental analysis.

4.1. Introduction

4.2. Embedded value of a financial asset

4.3. Dividend discount model and growth opportunities

4.4. Price Earning Ratio (PER) in securities analysis

- Minimum content: Chapter 9 of RWJ (2012)
 - Activities: Exercises of financial investments
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10 5.- Technical analysis

5.1. Introduction

5.2. Dow theory

5.3. Chart analysis

- Minimum content: Slides and articles recommended by the lecturer
 - Activities: Workshop on technical analysis
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11 6.- Risk and return for individual assets and portfolios

6.1. Computing risk and return of a financial asset

6.2. Risk and return for individual assets

6.3. Risk and return for portfolios: Diversification

6.4 The Sharpe's Market Model or characteristic line

6.5 Systematic and unsystematic risk

- Minimum content: Chapters 10 (sections 1, 4 & 5) and 11 (Sections 1-3, 8) of RWJ (2012), and Chapter 32 of Suárez Suárez (2014)
 - Activities: Exercises
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12 Seminar about exercises on Chapter 6

- Activities: Exercises

13 7. Portfolio selection.

- 7.1 The efficient set for two assets
- 7.2 The efficient set for many securities
- 7.3 Riskless borrowing and lending: The Capital Market Line

- Minimum content:
Chapter 11 (Sections 4-5, 7-8) of RWJ (2012)
Additional reference recommended in Spanish: Chapters 30 (sections 5-7) and 33 of Suarez Suárez, A. (2014, or any other edition). *Decisiones Óptimas de Inversión y Financiación en la Empresa*. Ed. Pirámide, Madrid.
- Activities: Workshop on technical analysis

14 8. Valuation of capital assets

- 8.1 Relationship between risk and return
- 8.2 One factor model: CAPM
- 8.3 The arbitrage pricing theory

Minimum content:
Chapters 11 (Sections 8-9) and 12 (Sections 3-5) (RWJ, 2012)
Activities: Workshop on capital allocation

15 8.- Seminar about exercises on Chapters 7 and 8

- Activities: Exercises
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RESOURCES

BASIC TEXTBOOK

Ross, Westerfield, Jaffe (2012). 10th edition, McGraw-Hill, New York.

ADDITIONAL TEXTBOOKS

Brealey, R; Myers, S. y Allen, F. (2011). Principles of Corporate Finance, 10th edition, McGraw-Hill, New York.

Suárez Suárez, A. S. (2014). Decisiones óptimas de inversión y financiación en la empresa, 22ª edición. Pirámide, Madrid.

Zvi Bobie, Alex Kane y Alan J. Marcus, (2004). Investments. McGraw Hill.

Thomas E. Copeland, J. Fred Weston y Kuldeep Shastri, (2004). Financial Theory and Corporate Policy. Pearson.



OTHER RESOURCES

Virtual Campus (Moodle)
Spreadsheets and powerpoint presentations
Specialized Internet sites