



BACHELOR'S DEGREE IN BUSINESS ADMINISTRATION

Course	Financing Decisions	Code	802288
Module	Finance	Area	Financial management
Character	Compulsory		
Credits	6	Attendance	2.7
		Non Attendance	3.3
Year	Third	Semester	6

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SUMMARY

SHORT DESCRIPTION
Analysis of financial decisions in a firm
RECOMMENDED BACKGROUND
Principles of Business Financial Management Concept of valuation of assets
EDUCATIONAL GOALS
OBJETIVES (Results of the learning process)
To understand the main concepts on which financial decisions should be based.



To develop the ability to assess the financial situation of the firm, as well as its cost of capital, to make balanced financial decisions.

To learn the use of financial tools required to make financial decisions.

COMPETENCIES

General: CG1, CG2, CG3, CG4

Cross-sectional: CT1, CT2, CT3, 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

Part I. Capital structure and financial leverage

1. Long term financial sources: a description
2. Efficiency and different ways to issue securities
3. Financial leverage and cost of capital
4. Capital structure and firm value
5. The interaction between investment and financing decisions
6. Dividend policy

Part II. Special topics

7. Introduction to options and futures
8. Working capital management
9. Mergers and acquisitions
10. Financial restructuring



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 jointly organized by the Department with the remaining groups.		
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 minimum mark to compute the final average is 5 out of 10 points. 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. Minimum attendance of 75% is required to provide a mark on continuous assessment.</p> <p>Continuous assessment in the extraordinary examination: in case one student has failed the ordinary examination, having attended the final exam and participated in the continuous assessment, the mark to be considered as continuous assessment for that extraordinary examination will be the final mark obtained in the ordinary examination.</p> <p>Note: According to the coordinated assessment process across subjects, any</p>		



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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.



ESTIMATED DETAILED SCHEDULE

Week	Chapter: description, minimum contents and activities
1	<p>1.- Long term financial sources: a description</p> <ul style="list-style-type: none">○ <i>Description:</i><ul style="list-style-type: none">● <i>Common and preferred shares</i>● <i>Corporate long-term debt</i>● <i>Types of bonds</i>● <i>Syndicated bonds</i>● <i>International bonds</i>○ <i>Minimum content:</i><ul style="list-style-type: none">● <i>Chapters 15, 20 sections 2, 3 & 11 and of –ROSS, S; WESTERFIELD, R.; JAFFE, J. (2010), Corporate Finance, 9th edition, McGraw-Hill, New York. (RWJ 2010, henceforth), or</i>● <i>Chapter 15 of BREALEY, R; MYERS, S.; ALLEN, F. (2010), Principles of Corporate Finance, 9th edition, McGraw-Hill, New York. (BMA 2010, henceforth)</i>
2	<p>2.- Efficiency and different ways to issue securities</p> <ul style="list-style-type: none">○ <i>Description:</i><ul style="list-style-type: none">● <i>Description of efficient capital markets</i>● <i>Types of efficiency</i>● <i>Empirical evidence on market efficiency</i>● <i>Ways to issue stock</i>○ <i>Minimum content:</i><ul style="list-style-type: none">● <i>Sections 2-4 of Chapter 14 and sections 2-3 of Chapter 20 (RWJ 2010), or</i>● <i>Sections 1-3 of Chapter 14 and sections 2-5 of Chapter 16 (BMA 2010)</i>○ <i>Activities: Initial Public Offerings in Spain</i>
3	<p>3.- Financial leverage and cost of capital</p> <ul style="list-style-type: none">○ <i>Description:</i><ul style="list-style-type: none">● <i>Financial leverage: effect on risk and return</i>● <i>Cost of debt</i>● <i>Cost of equity capital</i>● <i>Weighted average cost of capital</i>○ <i>Minimum content:</i><ul style="list-style-type: none">● <i>Chapter 13 (RWJ 2010), or</i>● <i>Sections 2-4 of Chapter 18 and Sections 1-2 of Chapter 10 (BMA 2010)</i>○ <i>Activities: Exercises</i>



4 Seminar about exercises on Chapter 3

- *Activities: Exercises*
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5-6 4.- Capital structure and firm value

- *Description:*
 - *Capital structure questions and the Pie Theory*
 - *Capital structure in a MM world without taxes*
 - *Capital structure in a MM world with taxes*
 - *Limits to the use of debt: costs of financial distress*
 - *Integration of tax effects and financial distress costs*
 - *Leading theories: Pecking order and Trade-off*
 - *Minimum content:*
 - *Sections 1, 2, 4 & 5 of Chapter 16 and sections 1-4, 7 & 10 of Chapter 17 (RWJ 2010), or*
 - *Section 1 of Chapter 18 and Chapter 19 (BMA 2010)*
 - *Activities. Exercises*
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7 5.- The interaction between investment and financing decisions

- *Description:*
 - *Adjusted present value approach*
 - *Weighted average cost of capital*
 - *Estimation of the discount rate*
 - *Beta and leverage*
 - *Minimum content:*
 - *Chapter 18 (RWJ 2010), or*
 - *Chapter 20 (BMA 2010)*
 - *Activities. Exercises*
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8 Seminar about exercises on Chapter 4

- *Activities: Exercises*
-



9 6.- Dividend policy

- *Description:*
 - *Different types of payouts*
 - *The irrelevance of dividend policy in a MM ideal world*
 - *Repurchase of shares*
 - *Personal taxes, dividends and share repurchase*
 - *Factors favoring high dividend payments*
 - *Stock splits*
 - *Minimum content:*
 - *Chapter 19 (RWJ 2010), or*
 - *Chapter 17 (BMA 2010)*
 - *Activities. Examples from listed firms*
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10 7.- Introduction to options and futures

- *Description:*
 - *Forward contracts*
 - *Future contracts*
 - *Options: Call options*
 - *Options: Put options*
 - *Factors determining the value of an option*
 - *Types of underlying assets*
 - *Minimum content:*
 - *Chapters 25 (sections 1-3) and 22 (sections 1-3 & 7) (RWJ 2010), or*
 - *Chapters 21 and 27 (sections 3 & 4) (BMA 2010)*
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11 8.- Working capital management

- *Description:*
 - *Tracing Cash and Net Working Capital*
 - *The Operating Cycle and the Cash Cycle*
 - *Some Aspects of Short-Term Financial Policy*
 - *Cash Budgeting*
 - *The Short-Term Financial Plan*
 - *Reasons for Holding Cash*
 - *Investing Idle Cash*
 - *Minimum content:*
 - *Chapters 26, 27 (sections 1 & 5) (RWJ 2010), or*
 - *Chapter 30 (BMA 2010)*
 - *Activities. Exercises*
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12 Seminar about exercises on Chapters 5 and 6

- *Activities: Exercises*
-



13 **9.- Mergers and acquisitions**

- *Description:*
 - *Basic forms of acquisitions*
 - *Reasons that may justify acquisitions*
 - *Costs, benefits and NPV in acquisitions*
 - *Hostile versus friendly takeovers*
- *Minimum content:*
 - *Chapter 29 (RWJ 2010), or*
 - *Chapter 32 (BMA 2010)*

14 **10.- Financial restructuring**

- *Description:*
 - *Concept of financial distress*
 - *Bankruptcy liquidation and reorganization*
 - *Predicting corporate bankruptcy*
- *Minimum content:*
 - *Chapter 30 (RWJ 2010), or*
 - *Chapter 33 (BMA 2010)*
- *Activities. Special current situations found in the press*

15

Seminar: Exercises about Chapter 7 and doubts

- *Activities. Extra exercises*
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RESOURCES

BASIC TEXTBOOK

Ross, S.; Westerfield, R.; Jaffe, J. (2010), *Corporate Finance*, 9th edition, McGraw-Hill, New York.

ADDITIONAL TEXTBOOKS

Brealey, R; Myers, S. and Allen, F. (2010), *Principles of Corporate Finance*, 10th edition, McGraw-Hill, New York.

Mascareñas, J. y otros (2010), *Finanzas para Directivos*. Ed. Pearson. Madrid.
Suarez Suárez, A., *Decisiones Óptimas de Inversión y Financiación en la Empresa*, Editorial Priámide (Any Edition).

OTHER RESOURCES

Virtual campus in Moodle
Spreadsheets and powerpoint presentations
Specialized Internet sites