

# MASTER FINANZAS DE EMPRESA

<b>Subject</b>	<b>Corporate Finance</b>	<b>Code</b>	607627
<b>Mode</b>	<b>Compulsory</b>		
<b>Credits</b>	4	<b>Attending</b>	4
		<b>Non-attending</b>	0
<b>Course</b>	First Year	<b>Semester</b>	1
<b>Language</b>	English		

## LECTURERS

<b>Department</b>	Economía Financiera y Contabilidad III (Economía y Administración Financiera de la Empresa)		
<b>Professor</b>	<b>E-mail address</b>		
Alejandro BUJÁN PÉREZ	<a href="mailto:alejandrobujan@ccee.ucm.es">alejandrobujan@ccee.ucm.es</a>		

## SUMMARY

### BRIEF DESCRIPTION

The subject is part of the context and purpose of corporate finance and the valuation principles that are applicable to them. Within this, it reviews firstly the analysis of investment decisions and its integrated approach through the capital budget. Subsequently, funding decisions, in which special attention will be paid to long-term financing sources and the calculation of cost of capital, as a means of confluence in determining capital structure and its effect on the company's value. Then, it will be paid careful attention to ways of addressing the risk in investment decisions, either by defining scenarios, or some equivalent risk-adjusted rates, or by using Monte Carlo simulation, the decision trees, and real options. Finally, we study in depth dividend policy.

### RECOMMENDED BACKGROUND

The student should have basic knowledge of finance degree level, or have completed the optional subject of Introduction to Finance. It also requires prior knowledge of financial mathematics and basic statistics.

## EDUCATIONAL GOALS

### OBJETIVES (Results of the learning process)

As educational objectives is to learn the basic skills of a CFO in a company, and to develop techniques that help to optimize decision-making process to maximize value for shareholders.

### COMPETENCIES

General: CG1 to CG4  
Cross-sectional: CT1 to CT5  
Specific: CE1, CE3, CE5

## LEARNING METHODOLOGY

Teaching-learning venture for student learning that is collaborative and cooperative.

Theoretical explanations based on reading explain the various issues before the presentation in class by the teacher, class discussion and case resolution offered to students who have worked on previously.

## CONTENTS (Program)

- 1 - Scope and purpose of corporate finance. Principles of valuation.
  - 1.1. Scope and goals of Corporate Finance.
  - 1.2. Difference between financial and productive investment
  - 1.2. Financial investment and financial market. Different types of financial assets and markets.
  - 1.3. Primary markets and secondary markets. The stock exchange investment.
  - 1.4. The value of the bonds and, in general, fixed income securities.
  - 1.5. Fundamental analysis: the value of the shares.
  
- 2- The capital budget: profitability analysis of investment project
  - 2.1. The need of the capital budget.
  - 2.2. Cash-flow statement.
  - 2.3. Free cash-flow vs. shareholders cash-flow.
  - 2.4. Mean-variance method.
  - 2.5. Sensitivity analysis.
  - 2.6. Probability of the expected value. Normal distribution.
  - 2.7. Development of a "Business Plan".
  - 2.8. Monte Carlo simulation.
  - 2.9. Sequential decisions: decision trees.

### 3- Markets and financial instrument.

- 3.1. The different sources of funding in the company.
- 3.2. The long-term corporate debt. Types.
- 3.3. The cost of debt.
- 3.4. The internal financing: retained earnings, reserves and capital increases.
- 3.5. The cost of internal financing.
- 3.6. The dividend model.
- 3.7. The characteristic of the market.
- 3.8. The estimation of the parameters alpha and beta.
- 3.9. Total risk, systematic and specific of a financial asset
- 3.10. The CAPM asset valuation model.

### 4- Capital structure and firm value.

- 4.1. Financial leverage: financial and economic profitability.
- 4.2. Financial risk and level of indebtedness.
- 4.3. The traditional thesis.
- 4.4. The Modigliani-Miller thesis.
- 4.5. The tax effect on the MM thesis.
- 4.6. Insolvency costs and optimal financial structure.
- 4.7. Deleveraging and leveraging the Beta.

### 5- Investment and financial decision integration.

- 5.1. Adjusted present value (APV)
- 5.2. Flows to Equity (FTE)
- 5.3. Method Weighted Average Cost of Capital (WACC)
- 5.4. Comparison of the APV, FTE and WACC

### 6- Dividend Policy.

- 6.1. Alternative dividend policies.
- 6.2. Dividend policy and valuing stocks. The informative value of the dividends.
- 6.3. The irrelevance of dividend policy according to Modigliani-Miller (MM). The thesis of the benefit.
- 6.4. Market imperfections and dividends. The thesis of dividends

<b>TEACHING ACTIVITIES</b>		
Lectures: theory	Weight	25%
Lectures: practice	Weight	75%
<ul style="list-style-type: none"> <li>- Business cases: 10%</li> <li>- Seminars: 5%</li> <li>- Individual or group tutorials: 5%</li> <li>- Assessment activities: 5%</li> <li>- Preparation of individual or group assignments: 20%</li> <li>- Individual study hours: 30%</li> </ul>		
Other activities	Weight	
<b>ASSESSMENT</b>		
EXAM	Weight in the final mark	50%
Final exam		
Other activity	Weight in the final mark	50%
Continuous assessment based on attendance, on time delivery of essays and coursework and intermediate tests carried out without previous notice		
Other activity	Weight in the final mark	
<b>ASSESSMENT RULES</b>		
<p>The activities are valued as follows:</p> <ul style="list-style-type: none"> <li>• Active participation in class: 15% of the final.</li> <li>• Resolution of cases and / or exercises: 20% of the final.</li> <li>• Preparation and presentation of works: 15% of the final.</li> <li>• Final exam: 50% of the final.</li> </ul> <p>The evaluation system of this area is the same for all subjects will be graded according to the RD 1125/2003, September 5th.</p> <p>To pass you need to get at least 5 points on the final exam and an average weighted it with continuous assessment not less than 5 points.</p>		

# RESOURCES

## BASIC BIBLIOGRAPHY

BREALEY, R; MYERS, S. & ALLEN, F. (2010), *Principles of Corporate Finance*, 9<sup>th</sup> Edition, McGraw-Hill.

ROSS, S.; WESTERFIELD, R. & JAFFE, J. (2012), *Corporate Finance*, 9th edition, McGraw-Hill Irwin.

## OTHER BIBLIOGRAPHY

THAM, J. & VÉLEZ PAREJA, I (2004), *Principles of Cash Flow Valuation*, Elsevier, Oxford (UK)

## OTHER RELEVANT INFORMATION

The course will be developed with support in: campus-virtual