

80228 - Corporate Finance

TEACHING PLAN

1. Basic description

Name of the course: Corporate Finance
Academic year: 2022–2023
Term: 2nd
Degree/Course: International Business Programme
Code: 80228
Number of ECTS credits: 6
Total number of hours committed: 150
Teaching language: English
Lecturer: PhD Fede Prats
Timetable: [Sigma schedule](#)
Office hours: Tuesday (teacher's room), 2.15 - 3.15 pm

2. Presentation of the course

This introductory course into the world of Corporate Finance helps students master the vocabulary of financial statements and accounting reports and equips them with the skills to use these tools to communicate with internal and external interlocutors. It also focuses on how to measure corporate investments and considers the different finance resources that are currently available.

The course covers several different areas:

After introducing the basic concepts of financial accounting, students analyse and interpret financial statements using different methods to assess company trends.

Another important skill is calculating the present and future value of money and understanding all the components of interest rates. These concepts will be essential for calculating rates of return and evaluating all the decisions in capital budgeting.

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

3. Competences to be worked in the course

General competences	Specific competences
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<p>Instrumental competences</p> <p>G.I.2. Ability to relate concepts and knowledge from different areas.</p> <p>G.I.4. Ability to tackle and solve problems.</p> <p>G.I.5. Ability to take decisions in complex and changing environments.</p> <p>G.I.8. Oral and written competence in communicating in English.</p> <p>General personal competences</p> <p>G.P.1. Ability to adapt, lead and work in a group that is multicultural, interdisciplinary, competitive, changing and complex in nature.</p> <p>G.P.3. Moral commitment and ethical sense.</p> <p>Generic systemic competences</p> <p>G.S.3. Ability to think globally.</p> <p>G.S.4. Entrepreneurial capability.</p> <p>G.S.5. Ability to learn on one's own.</p> <p>Competences for applicability</p> <p>G.A.1. Ability to apply acquired knowledge and skills.</p> <p>G.A.2. Ability to use quantitative criteria and qualitative insights when taking decisions.</p> <p>G.A.3. Ability to search and exploit new information sources.</p>	<p>Disciplinary competences</p> <p>E.D.10. Introduce basic financial concepts and analytical techniques and introduce their application to international transactions.</p> <p>Professional competences</p> <p>E.P.1. Ability to understand the decisions taken by economic agents and their interaction in the markets.</p> <p>E.P.2. Ability to analyse economic and market indicators when taking decisions within the organisation.</p> <p>E.P.9. Ability to assess and discuss an organisation's economic and financial position.</p> <p>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>E.P.24. Develop the ability to synthesise.</p>
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Learning outcomes

Students will be able to understand and analyse corporate financial statements in order to evaluate a company's financial and economic situation.

The competences, the learning outcomes, the assessment elements and the quality of the learning process included in this Teaching Plan will not be affected if during the academic trimester the teaching model has to switch either to an hybrid model (combination of face-to-face and on-line sessions) or to a complete on-line model.

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 USGAAP

PART 2: TIME VALUE OF MONEY

- 2.1. Future Value and Present Values
- 2.2. Annuities
- 2.3. Perpetuities
- 2.4. Uneven Cash Flows

PART 3: BASICS OF CAPITAL BUDGETING

- 3.1. Net Present Value
- 3.2. Internal Rate of Return
- 3.3. Modified Internal Rate of Return
- 3.4. Payback Period

PART 4: COST OF CAPITAL

- 4.1. Weighted Average Cost of Capital (WACC)
- 4.2. Basic Definitions
- 4.3. Factors that Affect the WACC

PART 5: INTEREST RATES

- 5.1. The Cost of Money
- 5.2. Determinants Of Market Interest
- 5.3. The Term Structure of Interest Rates

PART 6: RISKS AND RATES OF RETURN

- 6.1. Risk-Return Trade-Off
- 6.2. Stand-Alone Risk
- 6.3. Risk in Portfolio Context (CAPM)
- 6.4. Relationship between Risk and Rates of Return

PART 7: FINANCIAL STATEMENTS ANALYSIS

- 7.1. Horizontal Analysis
- 7.2. Vertical Analysis
- 7.3. Ratio Analysis
 - 7.3.1. Liquidity
 - 7.3.2. Asset Management
 - 7.3.3. Debt Management
 - 7.3.4. Profitability: Margin, ROA, ROI and ROE
 - 7.3.5. DuPont Analysis

PART 8: WORKING CAPITAL MANAGEMENT

- 8.1. Current Assets Investing and Financing Policies
- 8.2. Cash Conversion Cycle
- 8.3. Cash Budget
- 8.4. Inventories and Accounts Receivable
- 8.5. Accounts Payable and Bank Loans
- 8.6. Accruals

PART 9: COST ACCOUNTING

- 9.1. Direct and Indirect Costs

- 9.2.Variable and Fixed Costs
- 9.3.CostsAllocation
- 9.4.Break-Even Point
- PART 10: CASH FLOW MANAGEMENT
 - 10.1.Improving Cash Flow Management
 - 10.2.Free Cash Flow
 - 10.3.The High Profit/Cash Paradox
- PART 11: CASH FLOW ESTIMATION AND RISK ANALYSIS
 - 11.1.Conceptual Issues in Cash Flow Estimation
 - 11.2.Analysis of an Expansion Project
 - 11.3.Replacement Analysis
- PART 12: FINANCIAL PLANNING AND FORECASTING
 - 12.1. Sales Forecast
 - 12.2. Forecasted Financial Statements
 - 12.3. Analysing the Effect of Changing Ratios
- PART 13: COMPANY VALUATION METHODS
 - 13.1. Qualitative valuation methods
 - 13.2. Quantitative valuation methods
 - 13.2.1 Intrinsic valuation methods: DCF, NAV
 - 13.2.2 Comparables valuation: Multiples

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%
		Mandat.	Opt.	Lecturer	Self-assess.	Co-assess.		Indiv.	Group #	
In-class quizzes, seminars and case studies (Working activities)	During the term	x		x			Conceptual and application	x	x	20%
Midterm Exam	During the term	x		x			Conceptual, application, and overall understanding	x		30%
Group case study	Week 10	x		x			Application		x	10%
Final 40%exam (a minimum grade of 4.0 is required to pass the course)	Exam Week	x		x			Conceptual, application, and overall understanding	x		40%

When computing the in-class quizzes, seminars and case studies (Working Activities), activities don't delivered on time will be considered as "0".

When computing the final grade, continuous assessment elements will be weighted only if the final exam grade is equal to or greater than 4.0. Therefore, to obtain a passing course grade, the final exam grade must be equal to or greater than 4.0. If the final exam grade is

less than 4.0, the final exam grade becomes the final course grade, irrespective of the other grades.

Students **must take the final exam** if they want to receive a quantitative course evaluation. Students who do not sit the final exam will receive a "No Show" grade.

Resits

In accordance with ESCI-UPF academic regulations, students whose weighted final grade for the regular term evaluation is below 5.0 but whose grade for the continuous evaluation activities (in-class quizzes and assigned exercises, group case study and class participation) is above 4.0 will be required to retake their final exam, which will account for 40% of their total final grade. The rest of their final total grade will be made up of their grades in other areas of continuous evaluation.

Any students found copying and/or plagiarising work, in whole or in part, will fail the subject. They will receive a final grade of zero and will not be allowed to take the make-up exam. In accordance with the UPF Disciplinary Rules and Regulations for Students, other additional sanctions may apply depending on the seriousness of the offence.

6. Bibliography and teaching resources

Basic Bibliography

- Brigham, E.F., and J.F. Houston. *Fundamentals of Financial Management*. Concise Edition. Mason, OH: Cengage Learning, 2015.
- Warren, C.S., J.M. Reeve, and J. Duchac. *Managerial Accounting*. Mason, OH: Cengage Learning, 2014.

Supplementary Bibliography

- Brealey, R.A., and S.C. Myers. *Principles of Corporate Finance*. Maidenhead: McGraw-Hill Education, 2013.
- Drury, C. *Management and Cost Accounting*. Mason, OH: Cengage Learning, 2012.
- Needles, B.E., and M. Powers. *International Financial Reporting Standards. An Introduction*. Mason, OH: Cengage Learning, 2010.
- Rich, J., J. Jones, M. Mowen, and D. Hansen. *Financial Accounting: The Cornerstone of Business Decisions*. Mason, OH: Cengage Learning, 2012.
- Aswath Damodaran. *Applied Corporate Finance*, Fourth Edition, Wiley Finance, 2014

7. Methodology

The Teaching And Learning Processes Will Be based the lecturer's slides, readings of the recommended books and practical case studies. You **must** read each case study before class so that you can solve it during the session.

8. Scheduled activities

Schedule might be updated before the beginning in the course. In that case, it will be updated through Moodle.

Week	Session	In class	Class preparation
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Week 1	Lecture 1	Basic Accounting Concepts Cash Flow Management	Brigham, Chapter 3
Week 2	Lecture 2 Lecture 3 Lecture 4	Cash Flow Management Financial Statement Analysis Case studies & exercises	Brigham, Chapter 3 Brigham, Chapter 4 Warren, Chapters 3 & 4
Week 3	Lecture 5 Lecture 6	Cost Accounting Case studies & exercises	Drury, Chapters 2, 3 & 8 Brigham, Chapter 5
Week 4	Lecture 7 Lecture 8	Time Value of Money Case studies & exercises	Brigham, Chapter 5 Brigham, Chapter 6
Week 5	Lecture 9 Lecture 10	Interest Rates Risks and Rates of Return Mid Term Exam	Brigham, Chapter 8
Week 6	Lecture 11 Lecture 12	Capital Budgeting Case studies & exercises	Brigham, Chapter 10 Brigham, Chapter 16
Week 7	Lecture 13 Lecture 14	Capital Budgeting Case studies & exercises	Brigham, Chapter 11
Week 8	Lecture 15 Lecture 16	Cash Flow Estimation and Risk Analysis Case studies & exercises	Brigham, Chapter 12 Brigham, Chapter 15
Week 9	Lecture 17 Lecture 18	Working Capital Management Case studies & exercises	Brigham, Chapter 16
Week 10	Lecture 19 Lecture 20	Financial Planning and Forecasting Company Valuation Methods Project Presentation Final Exam	