

## TEACHING PLAN FOR

### • CORPORATE FINANCE

#### 1. Basic Description

**Name of the course:** Corporate Finance  
**Academic year:** 2018–2019  
**Term:** 2nd  
**Degree/Course:** International Business Programme  
**Code:** 80228  
**Number of credits:** 6  
**Total number of hours committed:** 150  
**Teaching language:** English  
**Lecturer:** Bernat Raventós Ruiz  
**Classroom:**

**Timetable:** Monday and Wednesday, 6.00-8.15 pm

**Office hours:** Thursdays 19 pm

#### 2. Course Overview

Worldwide accounting standards and principles (IFRS, US GAAP, etc.) are increasingly converging. The ability to build, read, understand and analyse financial statements from companies in any country is an essential step before taking major business decisions.

This course 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 consider the different financial resources that are recurrently 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 on in the Course

General competences	Specific competences
<p data-bbox="199 309 561 336">Instrumental competences</p> <p data-bbox="103 365 651 427">G.I.2. Ability to relate concepts and knowledge from different areas.</p> <p data-bbox="103 456 651 519">G.I.4. Ability to tackle and solve problems.</p> <p data-bbox="103 548 651 611">G.I.5. Ability to take decisions in complex and changing environments.</p> <p data-bbox="103 640 651 703">G.I.8. Oral and written competence in communicating in English.</p> <p data-bbox="140 732 555 759">General personal competences</p> <p data-bbox="103 788 651 909">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="103 938 651 1001">G.P.3. Moral commitment and ethical sense.</p> <p data-bbox="140 1030 555 1057">Generic systemic competences</p> <p data-bbox="103 1086 517 1113">G.S.3. Ability to think globally.</p> <p data-bbox="103 1142 552 1169">G.S.4. Entrepreneurial capability.</p> <p data-bbox="103 1198 590 1225">G.S.5. Ability to learn on one's own.</p> <p data-bbox="151 1254 544 1281">Competences for applicability</p> <p data-bbox="103 1310 651 1373">G.A.1. Ability to apply acquired knowledge and skills.</p> <p data-bbox="103 1402 651 1500">G.A.2. Ability to use quantitative criteria and qualitative insights when taking decisions.</p> <p data-bbox="103 1529 651 1592">G.A.3. Ability to search and exploit new information sources.</p>	<p data-bbox="754 309 1094 336">Disciplinary competences</p> <p data-bbox="683 365 1230 486">E.D.10. Introduce basic financial concepts and analytical techniques and introduce their application to international transactions.</p> <p data-bbox="754 515 1099 542">Professional competences</p> <p data-bbox="683 571 1230 692">E.P.1. Ability to understand the decisions taken by economic agents and their interaction in the markets.</p> <p data-bbox="683 698 1230 797">E.P.2. Ability to analyse economic and market indicators when taking decisions within the organisation.</p> <p data-bbox="683 826 1230 925">E.P.9. Ability to assess and discuss an organisation's economic and financial position.</p> <p data-bbox="683 954 1230 1106">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="683 1135 1230 1198">E.P.24. Develop the ability to synthesise.</p>

## Learning outcomes

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

## **4. Contents**

### PART1: 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

### PART2: CASHFLOW MANAGEMENT

- 2.1. Improving Cash Flow Management
- 2.2. Free Cash Flow
- 2.3. The High Profit/Cash Paradox

### PART3: 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: Margin, ROA, ROI and ROE
  - 3.3.5. DuPont Analysis

### PART4: COST ACCOUNTING

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

### PART5: TIME VALUE OF MONEY

- 5.1. Future Value and Present Values
- 5.2. Annuities
- 5.3. Perpetuities
- 5.4. Uneven Cash Flows

### PART6: INTEREST RATES

- 6.1. The Cost of Money
- 6.2. Determinants Of Market Interest

### 6.3. The Term Structure of Interest Rates

## PART7:RISKS AND RATES OF RETURN

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

## PART8:COST OF CAPITAL

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

## PART9: 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

## PART10: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. 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 (%)
		Mandatory	Optional	Lecturer	Self-assesses	Co-assesses		Individual	Group (#)	
In-class quizzes, assigned exercises and case studies	During the term	X		X			Conceptual and application	X		20%
Class participation	Ongoing		X	X			Analysis, application and synthesis	X		10%
Midterm Exam	Week 5	X		X			Conceptual, application, and overall understanding	X		20%
Group Case study	Week 10	X		X			Application		X	10%
<b>Final exam (a minimum grade of 4.0 is required to pass the course)</b>	Exam week	X		X			Conceptual, application, and overall understanding	X		40%

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.

Class participation accounts for 10% of the final grade. Students can obtain partial or full credit in this assessment category if they:

demonstrate preparation by relating issues to book chapters, readings and case studies;

contribute in an active and significant way ongoing class discussions.

### 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
  - o Brigham, E.F., and J.F. Houston. *Fundamentals of Financial Management*. Concise Edition. Mason, OH: Cengage Learning, 2015.
  - o Warren, C.S., J.M. Reeve, and J. Duchac. *Managerial Accounting*. Mason, OH: Cengage Learning, 2014.
  
- Supplementary Bibliography
  - o Brealey, R.A., and S.C. Myers. *Principles of Corporate Finance*. Maidenhead: McGraw-Hill Education, 2013.
  - o Drury, C. *Management and Cost Accounting*. Mason, OH: Cengage Learning, 2012.
  - o Needles, B.E., and M. Powers. *International Financial Reporting Standards. An Introduction*. Mason, OH: Cengage Learning, 2010.
  - o Rich, J., J. Jones, M. Mowen, and D. Hansen. *Financial Accounting: The Cornerstone of Business Decisions*. Mason, OH: Cengage Learning, 2012.

## **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. Timetable of Activities

Week	Session	Inclass	Class Preparation
Week1	Lecture 1	Basic Accounting Concepts Financial Statements	Brigham, Chapter 3
Week2	Lecture 2 Lecture 3	Case Studies And Exercises Financial Statement Analysis	Brigham, Chapter 4
Week3	Lecture 4 Lecture 5	Case Studies And Exercises Cost accounting	Warren, Chapters 3 And 4 Drury, Chapter 2, 3 and 8
Week4	Lecture 6 Lecture 7	Case Studies And Exercises Time Value of money, Interest rates	Brigham, Chapter 5 Brigham, Chapter 6
Week5	Lecture 8 Lecture 9	Case Studies And Exercises Risks and rates of return	Brigham, Chapter 8
Week6	Lecture 10 Lecture 11	<b>Midterm Exam</b> Cost of capital	Brigham, Chapter 10
Week7	Lecture 12 Lecture 13	Case Studies And Exercises Capital Budgeting	Brigham, Chapter 11
Week8	Lecture 14 Lecture 15	Cash Flow Estimation And Risk Analysis Working capital management	Brigham, Chapter 12 Brigham, Chapter 15
Week9	Lecture 16 Lecture 17	Financial Planning And Forecasting Company valuation methods	Brigham, Chapter 16
Week 10	Lecture 18	Presentation Projects	
Final exam week		<b>Final exam</b>	