



# **FINANCIAL MANAGEMENT**

Annual course (9 credits)

***Departament of Finance and Operations  
Management***

**Diplomatura en Ciencias Empresariales (Plan 2002)  
Escuela Universitaria de Estudios  
Empresariales**

## **SYLLABUS (Course 2006/2007)**

### ***Professors:***

- *Dr. Manuel Ángel Martín López*
- *Dr. Antonio de la Torre Gallegos*
- *Dra. Ana Isabel Irimia Diéguez*
- *Dr. José Luis Jiménez Caballero*

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### **General Course Information**

Course: Financial Management  
Credit hours: 2 semesters. 9 credits (90 hours)

### **Class meetings**

Room number 11  
Tuesday 11:30 – 13:00  
Thursday 13:00 – 14:30

### **Instructors**

Dra. Ana Isabel Irimia Diéguez

Phone: 954 55 98 75  
E-mail: [anairimia@us.es](mailto:anairimia@us.es)  
Office: 18  
Office Hours:  
First semester:  
Monday 11:30 – 14:30  
Tuesday 9:00 – 12:00

Second semester:  
Tuesday 9:30 – 11:30 and 13:00-14:00  
Thursday 10:00 – 13:00

Dr. Manuel Angel Martín López

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Office: 21  
Office Hours:  
First semester  
Tuesday 8:30 – 11:30  
Thursday 8:30 – 11:30

Second semester  
Monday 12:00 – 15:00  
Thursday 8:30 – 11:30

Dr. Antonio de la Torre Gallegos

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Home-page: [www.personal.us.es/atorre](http://www.personal.us.es/atorre)  
Office: 19  
Office Hours:  
First semester:  
Tuesday 13:00 – 14:00  
Wednesday 10:00 – 13:30  
Thursday 11:30 – 13:00

Second semester:  
Tuesday 13:00 – 14:00  
Wednesday 10:00 – 13:30  
Thursday 11:30 – 13:00

Dr. José Luis Jiménez Caballero

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## FINANCIAL MANAGEMENT

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Home-page: [www.personal.us.es/jjimenez](http://www.personal.us.es/jjimenez)

Office: 51 (EUEE)

Office Hours:

First semester:

Monday 9:30 – 12:00

Tuesday 11:30 – 14:00

Thursday 10:30 – 11:30

Second semester:

Monday 9:30 – 12:00

Tuesday 11:30 – 14:00

Thursday 10:30 – 11:30

### **Course web page**

[www.us.es/adfdce/finance](http://www.us.es/adfdce/finance)

### **Objectives and description of the course**

The objective of this course is to introduce the student to the fundamentals of Finance, with special emphasis on corporate financial management and financial markets and institutions. Financial Management will include financial analysis, investment and financial project valuation, working capital and cash management, Markets and Institutions will specially focus on the Spanish Financial System in the frame of the European Monetary Union.

### **Teaching Strategies and Recommended Materials**

Several teaching strategies will be employed in the course, including lectures, class discussions, problem solving demonstrations, as well as presentation and discussion of material drawn from the financial press. Students are expected to take an active role in class discussion and problem solving sessions.

The fundamental material for the course will be the class lectures (students notes), the PowerPoint slides or transparencies used by the instructor, and the basic bibliography. For each lecture, the instructor will recommend the best adapted textbook.

Several web pages are available to enlarge the knowledge and information about each topic.

### **Material available on the web**

The course home page will lead you to the many resources available on the web. Items that may help in preparing for the class include readings, problem sets, and slide presentations (PPT). The material relating to lectures is not intended to be a substitute for class attendance.

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## **Attendance**

Students are advised to attend all classes. A record of attendance will be kept.

## **Assignments**

Homework exercises and questions are provided to help student master the material and to prepare them for exams. The assignments will also give the students the opportunity to exercise and enhance their written and oral communications skills through their class presentations.

## **Quizzes**

Occasional pop quizzes may be given to allow the instructor to gauge the progress of the class.

## **Exams and Grading**

There will be an exam for each semester and a final exam. The final exam is comprehensive. The exams will have a theoretical part and a problem solving part.

Evaluation criteria will consider class attendance, evaluation of assignments and exam scores.

Positive evaluation of all criteria of the two semesters (more than 5 over 10 points) will allow the student to drop the final exam.

# **Part I: AN INTRODUCTION TO FINANCE**

## CHAPTER 1: What is Finance?

- 1.1. Introduction
- 1.2. Defining Finance
- 1.3. The Firm: a systemic approach
- 1.4. Corporate Finance: the Financial function
- 1.5. The financial objective: value creation
- 1.6. Financial main principles
- 1.7. Finance: historical evolution
- 1.8. Main programmes in Finance

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## Part II: LONG TERM FINANCIAL MANAGEMENT

### CHAPTER 2: FINANCIAL STATEMENTS AND ANALYSIS

- 2.1. Understanding Financial Statements
- 2.2. The Balance Sheet. Book values and Market Values
- 2.3. The Income Statement
- 2.4. Profit versus Cash Flow
- 2.5. The Statement of Cash Flows
- 2.6. The components of Working Capital
- 2.7. Practice Problems

### CHAPTER 3: LONG-TERM INVESTMENT DECISIONS

- 3.1. Introduction
- 3.2. Definition and Classification of investment
- 3.3. Stages in the analysis of investments
- 3.4. Evaluation of investments: fundamental variables for the analysis of investments
  - 3.4.1. The Role of Taxes in financial
  - 3.4.2. Amount of Investment
  - 3.4.3. Net Cash Flows
  - 3.4.4. Investment's terminal value
  - 3.4.5. Temporary horizon of the valuation
- 3.5. Evaluation of investments: Criteria used in economic evaluation
  - 3.5.1. Criteria of Net Present Value (NPV)
  - 3.5.2. Criteria of Internal Rate of Return (IIR)
  - 3.5.3. PayBack period
- 3.6. Comparison and selection of investments
- 3.7. Incorporating Risk in the analysis of investments
- 3.8. Practical application and case study

### CHAPTER 4: LONG-TERM FINANCING DECISIONS

- 4.1. Introduction
- 4.2. Classification of Financing
- 4.3. Long-term external financing: Equity and Long-Term Debt
- 4.4. Long-term external financing: Bank Financing, Leasing, Renting
- 4.5. Internal Financing (Retained earning, Amortization, provisions)
- 4.6. The Cost of Capital
- 4.7. Practical application and case study

### APPENDIX: FINANCIAL FEASIBILITY OF AN INVESTMENT/FINANCING PROJECTS

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## CHAPTER 5: CAPITAL STRUCTURE AND DIVIDEND POLICY

- 5.1. Capital structure and financial leverage
- 5.2. Leverage and returns
  - 5.2.1. Return on assets
  - 5.2.2. Return on equities
  - 5.2.3. The leverage effect
- 5.3. Risk and returns
  - 5.3.1. Business and financial risk
  - 5.3.2. The relationship between risk and rates of return
  - 5.3.3. Determining the optimal capital structure
- 5.4. Dividend Policy
- 5.5. Practice Problems and case study

## Part III: SHORT TERM FINANCIAL MANAGEMENT

### CHAPTER 6: WORKING CAPITAL MANAGEMENT AND SHORT TERM PLANNING

- 6.1. Introduction
- 6.2. Working Capital and Cash Conversion Cycle
- 6.3. Cash Management
- 6.3. Cash Budgeting
- 6.4. Practical application and case study

### CHAPTER 7: SHORT TERM CASH DECISIONS

- 7.1. Introduction
- 7.2. Cost of short-term financing
- 7.3. Trade Credit
- 7.4. Advanced Discount
- 7.5. Bank Financing
  - 7.5.1. Loan
  - 7.5.2. Line of credit
  - 7.5.3. Accounts receivable financing
- 7.6. Factoring

## Part IV: The Corporate Finance Environment

### CHAPTER 8. The Financial Markets

1. Introduction.
2. The financial actors: lenders and borrowers, savers and investors.
3. The financial assets.

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4. Direct funds transfer, investment banking and financial intermediaries.  
Brokers and Dealers
5. The financial markets: types.
6. The development of financial innovation: recent trends

## **CHAPTER 9. The Spanish Financial System and Financial Markets: Institutions and Regulation**

1. The structure of the Spanish Financial System.
2. The organized Financial Markets in Spain.
3. The regulation of the Stock Markets in Spain: the Security Exchange Commission (CNMV).
4. Introduction to the International Monetary System
5. The European Monetary Union: the single currency (euro), the European Central Bank and Monetary Policy.

## **CHAPTER 10. The Money Markets**

1. Concept and characteristics.
2. Participants and intermediaries in the Money Markets.
3. The assets of the money market.
4. State Money Markets Assets: Treasury Bills
5. Corporate Money Market Assets.
6. Financial Intermediaries Money Market Assets.
  - 6.1. Interbank Market.
  - 6.2. Interbank Market in the European Economic and Monetary Union.
  - 6.3. Hybrid Markets: mortgages. The market for Mortgage Pools and other Securitized Assets

## **CHAPTER 11. The Capital Markets: the debt market and the equity market.**

1. The Capital Markets: Definition and Characteristics.
2. Primary and Secondary Capital Markets.
3. Medium and Long Term Debt Assets
4. Bonds Valuation: yield and price
5. Debt risk: credit and market risk. Rating
6. The stocks (shares): concept and types
7. The Stock Exchange.
8. Stock Exchange operations. Trading locations and mechanics.  
Stock Market Indicators.

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## **FINANCIAL MANAGEMENT**

### **BIBLIOGRAPHY**

BREALEY MYERS MARCUS  
Fundamentals of Corporate Finance  
McGraw-Hill, Inc. (2004)

BODIE, ZVI; KANE, ALEX; MARCUS, ALAN J.  
Essentials of Investments  
McGraw-Hill (2004)

FABUZZI, FRANK J. & MODIGLIANI, FRANCO  
Capital Markets: institutions and instruments  
Prentice Hall. New Jersey (1992)

PETERSON, PAMELA P.  
Financial Management and Analysis  
McGraw-Hill, Inc. (1994)

Helpful financial Internet links will be supplied in each chapter.

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