



INTRODUCTION

The goal of this course is to develop the analytical skills for evaluating the major investment and financing decisions made by corporate managers. Topics include criteria for investment decisions, leverage, capital structure, business/financial risk and dividend policy.

- **Professor:** Carmen Aranda León (maranda@unav.es)
- **Type:** Mandatory for Finance and Accounting and International Economics and Finance students
- **ECTS:** 6
- **Year and Semester:** for Finance and Accounting students, second semester of year two; for International Economics and Finance students, second semester of year three.
- **Language:** English
- **Degree:** Degree in Management with Specialization in Finance and Accounting & Degree in International Finance
- **Módulo y materia de la asignatura:** VII. Optativas. 7.2. Optativas específicas del perfil Finance and Accounting
- **Class schedule:** *This is an intensive course. Class will run for the first seven weeks of the semester (from Jan. 8th to Feb 24th). There will be 6 hours of classes per week.*
- **Weekly class timetable:** pending
- **Course prerequisites:** Asset Valuation and portfolio Management, Financial Accounting I & II.

COMPETENCES

CG4, CE2, CE13, CE19, CE20

PROGRAM

Topic 1: Cost of the different sources of capital

1. -Cost of Debt
2. -Cost of Preferred Stock
3. -Cost of Common Equity
4. -Estimating Beta and Determining a Project Beta

Topic 2: Capital structure

1. -Proposition I without Taxes: Capital Structure Irrelevance
2. -Proposition II without Taxes: Higher Financial Leverage Raises the Cost of Equity
3. -Costs of Financial Distress
4. -Agency Costs
5. -Costs of Asymmetric Information
6. -The Optimal Capital Structure According to the Static Trade-Off Theory

Topic 3: Measures of Leverage

1. -Business Risk and Financial Risk



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2. -Business Risk and Its Components
3. -Sales Risk
4. -Operating Risk
5. -Financial Risk
6. -Breakeven Points and Operating Breakeven Points

Topic 4: Dividends policy

1. -Types of Dividends
2. -Payment Chronology of dividends
3. -Dividend Policy and Company Value: Theory
4. -Factors Affecting Dividend Policy
5. Payout Policies

Topic 5: Capital Budgeting

1. -The Capital Budgeting Process
2. -Basic Principles of Capital Budgeting
3. -Net Present Value
4. -Internal Rate of Return
5. -Payback Period
6. -Discounted Payback Period
7. -Average Accounting Rate of Return
8. -Profitability Index
9. -NPV Profile
10. -Ranking Conflicts between NPV and IRR
11. -The Multiple IRR Problem and the No IRR Problem
12. -Popularity and Usage of the Capital Budgeting Methods
13. -Mutually Exclusive Projects with Unequal Lives
14. -Capital Rationing
15. -Common Capital Budgeting Pitfalls

Topic 6: Introduction to Corporate Governance and Other ESG Considerations

1. -Objectives and Guiding Principles
2. -Forms of Business: Sole Proprietorships, Partnerships and Corporations
3. -Specific Sources of Conflict: Agency Relationships
4. -The Board of Directors
5. -Examples of Codes of Corporate Governance
6. ESG Considerations in Investment Analysis
7. Environmental, Social and Governance investment approaches

EDUCATIONAL ACTIVITIES

- **Lectures:** The teacher will explain the contents of the program, always encouraging the active participation with questions. These contents will be material for the examinations. In some cases, depending on the time, the instructor will assign readings so that each student can work on his/her own and can answer any questions with the teacher during office hours. The lectures will include activities such as concept maps, kahoots or online games to improve understanding and create discussion.
- **Discussions:** articles/videos/podcasts and other materials will be assigned for classroom discussion. The article items will be distributed in advance for



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students to prepare (see the Lesson-by-Lesson plan in the restricted area). The contents of these discussion items will be part of the assessments.

- **Assessments:** as detailed in the evaluation section.
- **One-to-one Tutorials :** the teacher will be available to students during office hours and outside of the class to answer questions or to provide support for course-related activities.
- Need for hours of **study outside the classroom :** individual study, presentation of papers, group meetings, etc.

EVALUATION

MAY ANNOUNCEMENT

Activity	% of total grade	Points over 10
"Take-home" Tests (Using UWorld-CFA test bank) (Previously known as Wiley)	20%	2.5 points
"In-class" Tests (using ADI)	20%	2 points
Class Participation	15%	1.5 points
Final Exam	45%	4.5 points

- "Take-home" Test: There will be one test per topic that will be completed using the UWorld CFA 1 level platform.
- "In-class" Tests: There will be two "In-class" pop quizzes. Only absent students with a medical certificate will be allowed to rescheduled the pop quizzes.
- Class participation: participation will be regularly taken. With two absences, participation grade will be 0.5 points. With three or more absences participation grade will be 0. No excuses.
- final exam will be **February 29th, room and time TBA**. The exam will consists of between 40-55 multiple choice questions, following the structure of the CFA, Level 1 exam. The resit exam will take place in June; there will be no second chance in December.

Criteria to pass the course

- Students need to get a minimum grade of 4.5 out of 10 in the final exam to apply the assessment weights. Likewise, students need to get a minimum grade of 4 out of 10 in each in-class test. If conditions were not met, the final grade for the course will be that of the final exam or the in-class test.
- Students whose final grade of 5 out of 10 (weighted average) is 5 points or more will pass the course.



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- Students whose final grade is below 5 points will not pass the course and will be graded as *Suspense*.
- Students who do not take the final exam will not pass the course and will be graded as *No presentado*.

Exams review

- Students will be able to review the exams in an interview with the professor, after publication of the grades, in a day and place that will be indicated

JUNE ANNOUNCEMENT

10% Assistance and participation (in class exercises, problem sets, and active participation)

20% In-class tests

25% Take-home tests

45% Final exam

CALCULATOR POLICY

Students are allowed to bring to exams only the calculators models allowed by CFA Institute exams.

OFFICE HOURS

Carmen Aranda (maranda@unav.es)

Book a slot using the link in the internal area of ADI

BIBLIOGRAFÍA