Financial Management I

Program

UNIVERSIDAD FRANCISCO DE VITORIA
madrid

OBJECTIVES

- **OVERALL**
  - Study the foundations for the valuation of financial assets.
  - Learn the most common techniques of valuation of portfolios, companies and other financial assets.
- **SPECIFIC**
  - Understand financial decisions under uncertainty. Risk/return.
  - Learn how to value bonds and other fixed income assets
  - Apply the Time Value of Money to the valuation of Stocks. Fundamental Analysis.
  - Study the modern portfolio theories and how rational investors use diversification to optimize their portfolios

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1. **Financial Decisions Under Uncertaintty**

- NPV, IRR, Payback and modified IRR Review
- Risk on investment: Expectarion and Variance of NPV
- Gauss Distribution. Tchebycheff Inequality
- Montecarlo Simulation. Decision Tress with risk

2. **The Value of Common Stocks**

- NPV, IRR and Payback. Review.
- Common stocks. EPS and Dividend.
- How common stocks are traded.
- The Gordon-Shapiro Theory. Valuing business by discounted cash flows.
- The financial markets. Market Efficiency.
- Fundamental Analysis. The P/E ratio
- Technical Analysis. The Dow Theory. Chartism.
- Practice Questions

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3. Fixed Income Markets. Valuation of Bonds

- The Fixed Income Market. Notes and Bonds.
- Type of Bonds. Rating
- Valuing Bonds.
- The accrued coupon
- Duration and modified duration
- The Yield Curve
- Practice Questions

4. Introduction to Derivatives

- Derivatives. Concept
- Futures
- Forward (FRA and FXA)
- Financial Options
- Swaps

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5. **Portfolio Management**

- Risk and Returns. Historical Perspective
- Risk and Return of a Portfolio. The efficient border
- The Markowitz Theory
- The Capital Market Line (CML)
- The Sharpe Model. Systematic and Specific Risk
- CAPM. SML.
- Does the CAPM work?
- The Arbitrage Pricing Theory
- Conclusions

Planned Schedule

FM 1	SUBJECT	ASSIGNMENT / EXAM	CORRESPONDENCE
Week 1	Introduction and Review		BMA Chapters 1,2 and 5
Week 2	Uncertainty	Reading	BMA Chapter 10
Week 2	Uncertainty Practice	Montecarlo Assignment	BMA Chapter 10
Week 3	Shares	Reading	BMA Chapter 4
Week 4	Shares Practice	Shares Assignment	BMA Chapter 4
Week 5	Bonds	Reading	BMA Chapter 3 and 24
Week 6	Bonds Practice		BMA Chapter 3 and 24
Week 7	Bonds Practice	**Midterm Exam**	**Last Week of October**
Week 8	Introduction to Derivatives	Reading	BMA Chapter 26
Week 9	Portfolios Theory	Reading	BMA Chapters 7 and 8
Week 10	Portfolios Practice	Reading	BMA Chapters 7 and 8
Week 11	Portfolios Practice	Portfolio Assignment	BMA Chapters 7 and 8
Week 12	Portfolios Practice		BMA Chapters 7 and 8
		EXAM	

BIBLIOGRAPHY

- BREALEY MYERS ALLEN 12TH Edition (2014). **Principles of Corporate Finance**. McGrawHill
- ROSS – WESTERFIELD Y JAFFE 10th Edition (2015) **Corporate Finance**. McGraw-Hill
- SÁNCHEZ SUÁREZ (1998) – **Decisiones Óptimas de Inversión y Financiación en la empresa**. Pirámide

APPRAISAL

- 15% Attendance and Participation.
- 25 % Periodical assignments and Midterm Exam
- 60%   Final Exam (Minimum 4.0)
- June (same weigthting. Late deliveries graded at 50%)

Office Hours: TUESDAYS 12-13 h and 18-19h

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