Financial Management I
Program
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
1. **Financial Decisions Under Uncertainty**
   - NPV, IRR, Payback and modified IRR Review
   - Risk on investment: Expectation 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 financial markets. Market Efficiency.
   - Fundamental Analysis. The P/E ratio
   - Practice Questions
3. Fixed Income Markets. Valuation of 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
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

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EXAM
BIBLIOGRAPHY


APPRAISAL

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

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

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