

Direcció Financera II (11851)

Outline

Professor: Albert Banal-Estanol (albert.banalestanol@upf.edu)

Lectures: Thursday-Friday, 9:00–11:00; Room 40.213

Office: Jaume I, 20E26

Office hours: Friday, 11:00–12:30 (or by appointment)

Teaching assistant: Alain Schlaepfer

Classes: Tuesday, 13:00-14:00

Office: 20.141

Office hours: Tbc

COURSE DESCRIPTION:

Direcció Financera II (DF II) is the natural continuation of Direcció Financera I (DF I). These courses deal with the two main challenges faced by the financial management of a company: the investment decision, concerning the use of company resources in productive projects, and the funding decision, or of capital structure, which examines how to obtain the money needed to finance the investments. If DF I focused on the analysis of the investment decisions, DF II will focus on the financing decisions.

We first review the basic concepts already studied in DF I: the NPV and the IRR; the notion of risk to address the relationship between risk and profitability, enabling us to reach the CAPM formula, the main tool of valuation of assets; the weighted average cost of capital (WACC). Then, we should study in detail the methods of financing the company or, in other words, the capital structure. We will investigate the different types of debt financing, contrasting them with the rights and obligations arising from financing via equity (shares). The course will also study the interaction of the company with its shareholders and will provide an introduction to the financial markets.

BIBLIOGRAPHY

The textbook that will serve as the main reference is Brealey, R. A., MYERS, S. C., ALLEN, F. Principles of Corporate Finance. The textbook is available online at a relatively affordable price; we recommend you keep a copy, not just this year but for future reference: it is a manual that is even used at higher levels (MBA, for example). The library also has several copies available.

A detailed list of required and optional reading including journal articles will be provided as the course progresses. You should also be reading the Financial Times or the Wall Street Journal on a regular basis and the Economist once a week. During the course, we will be referring to press coverage, and corporate and market news and events, if these are related to, or help to illustrate, topics we are covering in the

course. Some paperbacks for “bedtime reading” include A Random Walk down Wall Street and Barbarians at the Gate.

PROBLEM SETS

We will circulate (approximately every two weeks) a problem set (PS) with practical exercises. Please place your solutions in the box available at the door of the office of the teaching assistant before the class of the day in which the problem set must be delivered. This date corresponds to the second Tuesday after it has been circulated, i.e. nine or ten days later). We will not accept submissions by email or after the deadlines.

We recommend that you work in groups to solve problems. The maximum group size is 3 people. Please submit one solution per group. All group members will receive the same score. Verify that you place the names of all who worked on the problems. We will not correct all the problems every week, but a selection (which will not be notified in advance). This selection will be corrected and evaluated in detail.

FINAL GRADE

Exercises: 25%; Final exam: 75%.

CLASS TIMESCALE (TENTATIVE)

Class	Date	Weekday	Subject	BMA Chap.	PS Availability
1	7/1	Thursday	Introduction / Investment decisions (review)	14, 15.1, 5-9	
2	8/1	Friday	Investment decisions (review)	5-9	
3	14/1	Thursday	Investment decisions (review)	5-9	PS#1
4	15/1	Friday	Capital structure	17-18	
5	21/1	Thursday	Capital structure	17-18	
6	22/1	Friday	Capital structure	17-18	
7	28/1	Thursday	Capital structure	17-18	PS#2
8	29/1	Friday	Debt Financing	23-25	
9	4/2	Thursday	Debt Financing	23-25	
10	5/2	Friday	Debt Financing	23-25	
11	11/2	Thursday	Debt Financing	23-25	PS#3
12	12/2	Friday	Equity Financing	1.4, 34.2, 16	
13	18/2	Thursday	Equity Financing	1.4, 34.2, 16	
14	19/2	Friday	Equity Financing	1.4, 34.2, 16	
15	25/2	Thursday	Equity Financing	1.4, 34.2, 16	PS#4
16	26/2	Friday	Company valuation	4, 19	
17	4/3	Thursday	Company valuation	4, 19	
18	5/3	Friday	Company valuation	4, 19	PS#5
19	11/3	Thursday	Review		
20	12/3	Friday	Review		