

**MÁSTER UNIVERSITARIO EN DIRECCIÓN FINANCIERA Y CONTABLE
DE LA EMPRESA
(Official Master's Degree in Accounting and Financial
Management)**

SUBJECT

- **Name:** Financial Management
Type of subject: elective
Credits: 3 ECTS
Hours dedication: 18 hours (in classroom) 60 horas (out classroom)
Professors: Felipe Neugebauer Canhavate, CFA
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COURSE DESCRIPTION

A company's **intrinsic value**, as well as the value of its shares, is strongly determined by **financial decisions** taken along the strategic financial policies: selecting investments (investment policy), raising sources of capital (financing policy) and remunerating shareholders (dividend policy).

This course will discuss about the financial policies and the **interdependency** among them, considering throughout the **conflicts of agency** likely to emerge between shareholders, managers and creditors. It discusses how to address **agency costs** through corporate governance and especially through the **correct alignment** of the financial policies, so as to **maximize** a company's intrinsic value. Special focus will be given to financing and dividend policies.

The course will use a series of **finance and valuation tools**, including cost of capital and cash flow forecasts in assessing the channels via which strategic decisions affect the company's value. Students are expected to learn the **theory and the empirical evidence** behind financial policies, and ultimately on how to make strong and strategically solid financial decisions as owners, directors or managers.

Contents & Learning Results

- Advising and analysing strategic financial policy decisions: investment policy, financing policy (capital structure), and dividend policy.
- Knowing the conceptual and practical elements that help to design the company's financial policy in decision-making processes and the interrelationships between policy decisions.
- Understanding the external influences on financial strategy decisions: industry, market requirements, regulation & business law, taxation, etc.
- Understanding the internal influences on financial strategy decisions: corporate governance, agent-principal relationship, perverse

- managerial incentives.
- Selecting the most appropriate financial instruments to finance the company's growth.
- Making appropriate decisions to optimize the company's profits and to increase its value.
- Company valuation methods: understanding how financial policy decisions contribute to key factors affecting the value of business.
- Making use of capital ratios in decision-making: ratio capital to equity; ratio short- and long-term debt; components of equity
- Integrating different subjects studied in the program (business analysis, financial mathematics and investment evaluation, among others)
- Identifying financial policies that can generate value for the company and studying an indicator that measures such value generation: EVA.
- Review of most recent and impactful research in financial management and company valuation

Specific Abilities

CE1. Taking decisions aimed at achieving the company's overall accounting and financial objectives through the application of practical and advanced analysis techniques adapted to the business sector in which it operates.

CE2. Applying expert knowledge to finances and accounting through actual cases, role-play and real practices.

CE5 Carrying out projects in the accounting and finance field in order to have a set of scenarios to make the best decisions

CE6. Applying specific analytical techniques from the field of finances and accounting with the aim of taking the most appropriate decisions, taking into account the economic context and the company's expectations.

CE8. Managing the company's financial resources effectively and efficiently with the aim of increasing its profits and profitability, in keeping with its overall accounting and financial objectives.

Methodology

The methodology used in the subject is essentially participatory and is fundamentally based on the discussion of practical cases, explanations based on real-world business experience and case presentations, reading and exercises by the participants. The subject materials must be worked on at home. This will allow sessions to focus on aspects previously discussed and ensure they are essentially practical. Moreover, presentations of cases, exercises and reading materials will be common. The groups/participants that are not presenting will have to submit a written assignment on the completion of their exercise to the professor or hand it in in the subject's global classroom.

Evaluation criteria

- 35 % Exam
- 30 % Problem Sets
- 25 % Project
- 10 % Participation

Total course

Students need to obtain a minimum of 5 in the final exam to pass the course. This condition applies to both the regular exam and the retake exam. The final course grade of students that do not obtain **a minimum of 5 in the exam** will have a retake exam opportunity that will be programmed in accordance with the academic calendar. If a student has to retake the exam, his **maximal grade for the course will be a 5**.

Students are required to **attend 80% of classes**. Failing to do so without justified reason will imply a Zero grade in the participation/attendance evaluation item and may lead to suspension from the program.

Plagiarism is to use another's work and to present it as one's own without acknowledging the sources in the correct way. All essays, reports or projects handed in by a student must be original work completed by the student. By enrolling at any UPF BSM Master of Science and signing the "Honor Code," students acknowledge that they understand the schools' policy on plagiarism and certify that all course assignments will be their own work, except where indicated by correct referencing. Failing to do so may result in automatic expulsion from the program."

Contents

1. Part 1: Introduction to Financial Management

- 1.1. An economic overview of corporations and financial instruments (debt and equity)
- 1.2. Agent-principal Theory and Corporate Governance for financial decisions

2. Part 2: Financial Policies

- 2.1. Capital Structure decisions
- 2.2. Dividend Policy decisions
- 2.3. Interrelationship between investment, financing and dividend policies
- 2.4. Assessment of financial decisions on a company's value

Prerequisites

Students are expected to know fundamental concepts of corporate finance and valuation prior to the start of the course. Students may find reviewing and supporting materials at the Chapters 6, 7, 8 and 11 of *Intermediate Financial Management* (13th edition), in addition to their preferred learning sources. **The main concepts that need to be mastered prior to the beginning of the course are:**

- CAPM Model and SML curve; systematic and unsystematic risk; how to obtain a company's cost of equity from CAPM; levered and unlevered CAPM betas
- Calculation of WACC and how to obtain estimates of its drivers; the difference between a bond's coupon rate and YTD; the difference between book value and market value of debt and equity securities; understanding of retained earnings as an opportunity cost for shareholders
- Valuation using Free Cash Flow to Firm (FCFF) and Free Cash Flow to Equity (FCFE); which inputs are required to calculate FCFF/FCFE (including the appropriate discount rate); understanding when using a model should preferred to another; the application of terminal value
- Dividend Discount Model and Gordon Growth Model; the application of a sustainable growth rate
- Enterprise Value as the NPV of operating assets; the relationship between Intrinsic Value of Equity and Enterprise Value
- Investment decisions and project selection using both NPV and IRR criteria; understanding of IRR's assumptions and shortcomings
- Financial statements (income statement, balance sheet, cash flow statement) in depth; financial ratios such as ROIC, ROE, dividend yield, pay-out / retention ratio, leverage; arriving at CFO (Cash Flow from Operations) starting from both Net Income and EBITDA
- Performing sensitivity and scenario analysis for financial statements, ratios, valuation, and investment decisions

Reading Materials/ Bibliography/Resources

Tirole, Jean (2006). *The Theory of Corporate Finance*. Chapter 1, 2, 3. Princeton University Press

Brigham, Eugene F., & Daves, Phillip R. (2018). *Intermediate Financial Management* (13th edition). Chapter 6, 7, 8, 10, 11, 12, 15, 16. Cengage Learning

Bio of Professor

Felipe Canhavate has developed its professional career in the investment

industry, with special focus on corporate finance. He has worked at the Investment Banking division of Bank of America Merrill Lynch and at Opdenenergy, leading M&A and Structured Finance transactions.

He holds a B.S. in Economics by Fundacao Getulio Vargas and an M.Sc. in Economics & Finance by Barcelona Graduate School of Economics. In addition, he is an Executive MBA by IESE Business School and a member of the CFA Society Spain.