



## CIEE in Seville, Spain

<b>Course name:</b>	Corporate Financial Decision Making
<b>Course number:</b>	BUSI 3001 SEBS
<b>Programs offering course:</b>	Liberal Arts, Advanced Liberal Arts, Business and Society and Communication, New Media and Journalism – Spanish Programs
<b>Language of instruction:</b>	Spanish
<b>U.S. semester credits:</b>	3 credits
<b>Contact hours:</b>	45 hours
<b>Term:</b>	Spring 2019

### Course Description

The subject of this course deals with the world of corporate financial decision making. The course introduces the concepts, tools, and applications of finance and is structured around four general areas: Introduction to Corporate Finance and the role of economic and financial theories and principles in decision-making within the business enterprise; financial statement analysis; capital budgeting decisions and firm valuation; and analysis of financing decisions, venture capital and entrepreneurship, cost of Capital and payout policy. The content presented in this course will be also learned through additional reading, study, analysis and classroom discussions. In addition, students will reinforce their learning through the analysis of real word case studies.

### Learning Objectives

The material covered allows the participant the opportunity to experience and evaluate the nature of financial decision making and its role in the strategy of the entire firm (special emphasis on the European Companies and Startups Companies). Towards the end of the course students will be able to interpret financial information and apply this information in valuation and decision-making and analyze the economic financial viability of a real-live project in a European context and create a Startup Business Plan.

### Course Prerequisites

This course requires a basic understanding of financial accounting and financial mathematics. 4 semesters of college-level Spanish (or equivalent) and 3 semesters of college-level micro- or macroeconomics, accounting, finance, management, marketing, or statistics. Students need to have a GPA of at least 2.5.

### Methods of Instruction

The classes will be led by the professor addressing the aforementioned themes and utilizing computer presentations. Each topic presented in class will follow a similar format: Explanation of theoretical concepts to create a basis for understanding the subject presented; Application of theoretical concepts explained in class using examples from case studies of European businesses; and Workgroup Exercise (3 to 4 people maximum) under the guidance of the professor of case studies presented in each chapter. The students will also have a manual, elaborated by the professor, to compliment readings. When permitting, the professor will also utilize videos relating to the materials and analyze cases of businesses in a global market, making particular reference to European and Spanish businesses and startups companies. Readings are recommended throughout



the semester to reinforce learning, as well as, references made from popular financial publications. One section of the class will focus on Workgroup Exercise projects, whereby students will analyze the economic financial viability of a real project.

The objective of the tutorials will be:

- Further discussion and review of any points of confusion.
- Orientation of other themes of interest.
- The further elaboration of assigned works.

### **Assessment and Final Grade**

CIEE classes are not graded on a curve nor is there extra credit work. The final grade will be based upon the following criteria:

Assignments	20%
First Exam	25%
Second Exam	35%
Classroom participation and company visit	10%
Daily classwork and homework	10%

### **Course Requirements**

#### **Assignments**

Students must complete two assignments during the course. In the first, they will have to carry out the financial and business plan for the creation of a company and analyze its economic and financial feasibility. The second assignment will consist in the presentation and public defense to the class about a real case of financing through a financial instrument of those analyzed in class. The originality of the business and its content and presentation will determine its evaluation.

#### **Classroom participation**

Students must express their opinion on the topics discussed in class, readings, videos and the activities that we will do with Spanish students. They must also complete and give their opinion on the cases proposed in class. To obtain 100 points in this session, they must participate in all the questions that are proposed in a reasoned and satisfactory manner.

#### **Company visit**

The professor of this course “Corporate Financial Decision Making” and the CIEE staff will organize a company visit for the students in the class. Attendance is mandatory, and an absence will be considered a fault. Please, to know the date for the company visit consult the calendar.

#### **Daily classwork and homework**

Each week the students will complete several activities during the class and as homework that will be evaluated. These will be quiz or practical cases. Must be completed on the virtual teaching platform



### **Attendance policy**

Students are not allowed to miss class for unjustified reasons. For each unexcused absence, the participation portion of the grade will be lowered. Hence, it will be very difficult to receive a 100 in the class. Please keep this in mind. If a student misses class twice without a valid excuse (a note from a physician in the event of an illness), then the professor will automatically lower the final grade by 5 points (on a 100-point scale) for each class missed thereafter. Students with 6 or more absences will fail the course.

Students should arrive to class on time. Arriving more than 15 minutes late for a class will count as an unexcused absence. Please note that an excused absence is one that is accompanied by a doctor's note: signed stamped and dated. Travelling and/or travel delays are not considered valid reasons for missing class.

\* Notes from a physician will only be valid and admitted by the Program Manager if the doctor confirms that the visit could not have been arranged at another time, or that the student was too ill to attend class that day.

**Academic Honesty:** Students are expected to act in accordance with their university and CIEE's standards of conduct concerning plagiarism and academic dishonesty. Use of online translators for work in Spanish will result in an automatic failure.

**Linguistic Resource Center:** It is recommended that students use the LRC

## **Weekly Schedule**

### **WEEK 1**

#### **Topic 1. Introduction to Corporate Finance.**

1. Introduction to the Financial Management.
2. The financial function.
3. The objective of Financial Management.
4. Employment in finance
5. Business creation, entrepreneurship and venture financing

Reading 1: "Introducción a las Finanzas Corporativas" (Workbook)

Recommended Readings: "Fundamentos de Finanzas Corporativas" (Chapter 1)

Activity 1: Course Overview: Objectives, Methodology and Evaluation criteria. Presentation handouts. Workbook review.

Activity 2: Video about "Doing Business in Andalucía"

Daily classwork and homework: Quiz 1 on Introduction to Corporate Finance



## **WEEK 2**

### **Topic 2. Financial Statements Analysis (Part I).**

1. Introduction to Financial Statements and to the investment
2. The description and the dimension of the economic-financial structure. The Balance Sheet.
3. The economic structure (Assets).
  - 3.1 The operating cycle and the Average period of cash
  - 3.2 The need for current asset and working capital
  - 3.3 The renovation cycle of fixed assets. The Long-term Cycle.

Reading: “El Funcionamiento Financiero de la Empresa. Los Estados Financieros” (Workbook)

Recommended Readings: “Fundamentos de Finanzas Corporativas” (Chapter 3 and Chapter 19)

Activity 1: Study Case Section 2 (Workbook): Study Case 1 and 2. Resolution and discussion in group

Daily classwork and homework: Quiz 2 on Financial Statements

## **WEEK 3**

### **Topic 3. Financial Statements Analysis (Part II).**

4. The financial structure (Liabilities and Equity).
5. The role of taxes and depreciation in Financial Decisions.

Reading: Finance Journals and Financial Press

Recommended Reading: “Fundamentos de Finanzas Corporativas” (Chapter 18 y Chapter 19)

Cases Study Section 2 (workbook): Study Case 3. Resolution and discussion in group

Activity 1: Academic Exchange Seminar with local students: Real cases analysis about companies’ creation and firm valuation. Homework about the experience.

Activity 2: Videos about real-live investments and financial decisions.

## **WEEK 4**

### **Topic 4. Financial Statements Analysis (Part III).**

6. Financial rules.
7. The Income Statement.
8. The cash flows statement

Reading: “El Funcionamiento Financiero de la Empresa. La cuenta de resultados y de tesorería” (workbook)

Cases Study Section 2 (Workbook): Study Case 4. Resolution and discussion in group

Activity 1: Company Visit. Homework about the content of the visit

Assignment 1: The economic financial viability of a real-live project in a European context and create a Startup Business Plan

## **WEEK 5**



### **Topic 5. Capital budgeting decisions (Part I)**

1. Corporate Investing: Concepts and classification of investments
2. The evaluation of investment projects
  - 2.1 Basic premise of valuation
  - 2.2 The financial dimension of an investment
  - 2.3 Evaluating projects and associated problems
  - 2.4 The basic financial operative: time and value of money
  - 2.5 Calculating optimal value

Reading: "Valuation and Selection of Investments" (Workbook)

Recommended Reading: "Fundamentos de Finanzas Corporativas" (Chapter 4)

DUE: Practical case study in preparation for exam

FIRST EXAM

### **WEEK 6**

#### **Topic 5. Capital budgeting decisions (Part II)**

3. Criteria used in economic evaluation
  - 3.1 Criteria of Net Present Value (NPV)
  - 3.2 Criteria of Internal Rate of Return (IRR)
  - 3.3 The Payback-Period
  - 3.4 Comparing various criteria

Reading: Valuation and Selection of Investments (Workbook)

Recommended Reading: Fundamentos de Finanzas Corporativas (Chapter 7)

Case Study Section 3 (Workbook): Case study 5. Resolution and discussion in group

Daily classwork and homework: Practice on Capital budgeting

### **WEEK 7**

#### **Topic 5. Firm valuation**

1. Relative valuation
  - 1.1 Market ratios: EBITDA and PE ratio
  - 1.2 Price Earnings Ratio and problems
2. Valuation using the discounted cash flow method
  - 2.1 Free cash flow calculation
  - 2.2 Value of the company calculation

Reading: "Métodos de valoración de empresas" (Workbook)

Cases Study Section 3 (Workbook): Workgroup Exercise and Case Study 7. Resolution and discussion in group



Daily classwork and homework: Practice on Firm valuation

## **WEEK 8**

### **Topic 6. Corporate Financing (I)**

1. Concept and classification of financing
2. Equity: The issue of equity, self-financing, grants and equity crowdfunding
3. Long term issues of debts: bonds and crowlending

Reading: “La financiación en la empresa” (Workbook), part 1

Daily classwork and homework: Quiz 3 on Financial Market

Activity 1: Video about Company financing in Andalucía

## **WEEK 9**

### **Topic 6. Corporate Financing (II)**

4. Financial Banking
  - 4.1 Loans and Account receivable
  - 4.2 Commercial Discount
  - 4.3 Leasing and renting
  - 4.4 Factoring and Confirming
5. Business angels, venture capital, private equity and mutual guarantee societies.

Reading: “La financiación en la empresa”(Workbook)”, part 2

Recommended Reading: “Fundamentos de Finanzas Corporativas” (Chapter 2)

Daily classwork and homework: Quiz 4 on Bank financing and new financing sources

## **WEEK 10**

### **Topic 6. Corporate Financing (III)**

6. Cash Management and short-term financing
  - 6.1 Surplus investments in Financial Markets
7. The weighted average cost of capital (WACC)
  - 7.1. Concept and calculation of WACC
  - 7.2 The effective costs of financial resources

Reading: “La financiación en la empresa”(Workbook)”, part 3

Recommended Reading: “Fundamentos de Finanzas Corporativas” (Chapter 12, 19 and 20)

Cases Study Section 4 (Workbook): Case study 6. Resolution and discussion in group



## **WEEK 11**

### **Topic 6. Capital Structure and Payout Policy (I)**

1. Capital Structure
  - 1.1 Financial leverage and Profitability of the shareholders
  - 1.2 Profitability and risk
2. Payout Policy
  - 2.1 Types of Dividends
  - 2.2 Payout Policy and the shareholder wealth

Reading: “Estructura de capital y política de dividendos” (Workbook)

Cases Study Section 5 (Workbook): Case Study 7. Resolution and discussion in group.

Assignment 2: Public presentation about the financing of a selected company

## **WEEK 12**

### **Topic 6. Capital Structure and Payout Policy (II)**

3. The financing of companies in practice.

DUE: Practical case study in preparation for exam

SECOND EXAM

## **Course Materials**

### ***Readings***

- JIMÉNEZ, JL, PEREZ, C y DE LA TORRE GALLEGOS, A., Dirección Financiera de la Empresa: Teoría y práctica. Editorial Pirámide, Madrid, 2018.
- DE LA TORRE GALLEGOS, A Y JIMENEZ NAHARRO, F., Valoración de empresas y Análisis Bursátil. Ed. Pirámide, 2018.
- DE LA TORRE GALLEGOS, A., Lecturas y Casos prácticos sobre “Corporate Financial Decision Making”, Departamento de Economía Financiera y Dirección de Operaciones, Universidad de Sevilla, 2018.
- BREALEY & MYERS & MARCUS, Fundamentos de Financiación Empresarial, Ed. McGraw Hill, Madrid, 2017. 5 Edición.
- BODIE & MERTON, Finanzas. Pearson Educación, México, 2017.
- DURBAN OLIVA, S., Dirección Financiera Ed. McGraw-Hill, Madrid, 2018.
- VAN HORNE & WACHOWICZ, Fundamentos de Administración Financiera, Pearson Prentice Hall, Ed en Español.
- WESTON & BRIGHAM. Fundamentos de Administración financiera. Ed. McGraw-Hill, Madrid.



### **Internet Sources**

- Dirección General de la PYME: <http://www.ipyme.org>
- Banco de España: <http://www.bde.es>
- International Finance Corporate (IFC): <http://www.ifc.org>
- Diario económico expansión: <http://www.expansión.com>
- Yahoo España finanzas: <http://es.finance.yahoo.com>
- Standard & Poor: <http://www.standardandpoors.com>
- Diccionarios Financieros:  
<http://www.finanzas.com/diccionario/>  
<http://www.gruposantander.es/ieb/glosario/glosarioindex.htm>