



# **Syllabus**

# **Advanced Topics of Finance**

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**March – July 2019**

**X Cycle**

**Lizarzaburu Bolaños, Edmundo**

## I. General Information of the Course

<b>Subject:</b>	Advanced Topics of Finance		
<b>Requisite:</b>	Investment Analysis	<b>Code:</b>	04442
<b>Precedent:</b>	N/A	<b>Semester:</b>	2019-1
<b>Credits:</b>	3	<b>Cycle:</b>	X
<b>Weekly Hours:</b>	3	<b>Type of the course:</b>	Class Presence
<b>Type of course</b>	Obligatory	<b>Course Coordinator</b>	Jhony Ostos Mariño <a href="mailto:jostos@esan.edu.pe">jostos@esan.edu.pe</a>
<b>Career(s)</b>	Administration and Finance		

## II. Summary

The course shows the student issues that contribute to their training, enabling them to develop skills for proper financial management. The course studies, risk management with application of Value at Risk (VaR). Valuation of companies. Social assessment of projects. Mergers and acquisitions. Derivatives. Capital structure. Credit risk. Trusts. Project Finance. Structuring transactions to medium term. **Besides the course would include several virtual and online sessions.**

## III. Course Objectives

The course objective is to provide the tools and techniques for the analysis of statistical data and indicators for management decision making and review several financial topics.

Also, provides the concepts and principles of current finances, applied to both local and international market and allows the student to understand the concepts of finance such as financial statement analysis, planning and management scenarios.

Besides, the course reviewed risk management strategies and the impact of them in the companies and business. Identify opportunities and challenges that globalization needs.

## IV. Learning Objectives

**After completing the course, students:**

- Understand the importance of financial analysis.
- Know the determinants of credit risk.
- Review the variables to consider when evaluating a company.
- Acquire knowledge on mergers and acquisitions.
- Analyze and review the trust mechanism.
- Understand the application of project finance in the Peruvian market.
- Understand the importance of managing stakeholders.

## V. Methodology

The classes will be developed to promote the combination of theory with practice, there will be investment simulations with applications that allow capture everything we learned in class to which, the teacher assumes the role of facilitator of learning.

Be combined also with teamwork, to reinforce learning and developing the participant the skills needed to function successfully.

The participant must read the assigned materials for each session which will consolidate their classroom learning and will be taken in the controls, practices and qualifying exams.

## VI. Evaluation

The assessment system is continuous and comprehensive. Its purpose is to promote student learning. It is evaluated the learning activities throughout the course such as participation, case studies, research, practices and other activities assigned qualified.

It assesses the knowledge acquired in the middle and end of the cycle through a midterm (partial) and a final. The mark will be obtained by averaging the continuous assessment – evaluation (40%), the midterm – partial exam (30%) and final exam (30%).

Continuous evaluation is the weighted average of the evaluations that correspond to the monitoring of student learning process: Practices qualified / Case / Research Work / Participation in classes / activities assigned. The average of these scores gives the final grade.

Average of the Ongoing Evaluation 40%		
Type of Evaluation	Description	Weight %
Quiz*	3 Quizzes None can be canceled	30%
Group Paper Critique**	Paper Critique	30%
Individual Research Assignment**	Individual Research Paper + Presentation	30%
Class Involvement	Participation and Attendance	10%

\* No grade is canceled.

\*\* The guidelines for both the Group and Individual Research Assignments will be handed out by the teacher at the start of the semester.

The final grade average is obtained by:

$$FG = (0, 30 \times ME) + (0, 40 \times AOE) + (0, 30 \times FE)$$

**Legend:**

- FG** = Final Grade  
**ME** = Midterm Exam  
**AOE** = Average Ongoing Evaluation  
**FE** = Final Exam

**VII. Program content**

<b>Week</b>	<b>Details</b>	<b>Activities</b>
<p><b>LEARNING UNIT I: FINANCE, TRUST AND CAPITAL STRUCTURE</b>  <b>LEARNING OUTCOMES:</b>            Understand the importance of financial analysis.            Understand the function of the finance area and its current relevance            Review of financial statements.            Understand the role of corporate governance and international standards</p>		
<p><b>1°</b>  <b>From March 21 to March 30</b></p>	<p><b>1.1 Introduction and Finance Analysis.</b>            1.1.1 Overview of the Financial Function            1.1.2 Introduction to Corporate Governance            1.1.3 Manager function and economic indicators            1.1.4 Corporate governance: Objectives principles            1.1.5 Ratio Analysis            1.1.6 OCDE</p>	<p>Groups and review the lectures: Topcis in Finance, Chapter 1             Presentation of the Course, including Methodology and paper             Guidance review (guidelines) for the development of the final research work and assignment of research papers</p>
<p><b>2°</b>  <b>From 01 to 06 April</b></p>	<p><b>1.2 Trusts - Fideicommissum.</b>            1.2.1 Type of Trusts            1.2.2 Alternatives            1.2.3 Tendency            1.2.4 Use in Peru and Latam.            1.2.5 La Fiduciaria</p> <p><b>Required reading:</b>            Ross, S., Westerfield, R. &amp; Jaffe, J. (2007) <i>Modern Financial Management</i>. Chapter 20.</p>	<p>Presentation/Comments of lecture 1: Ullah, B., Wei, Z., &amp; Xie, F. (2014). <b>ISO certification, financial constraints, and firm performance in Latin American and Caribbean countries. Global Finance Journal, 25(3), 203-228.</b></p> <p>Review of the Guide for the presentation of written works at the Esan University (APA standards)            Presentation of task 1: Focus in economic indicators</p>
<p><b>3°</b>  <b>From 08 to 13 April</b></p>	<p><b>1.3 Capital Structure.</b>            1.3.1 Concepts of Debt            1.3.2 Concepts of Equity            1.3.3 Modigliani and Miller            1.3.4 Taxes            1.3.5 Use of debt            1.3.6 WACC and CAPM</p> <p><b>Required reading:</b>            Ross, S., Westerfield, R. &amp; Jaffe, J. (2007) <i>Modern Financial Management</i>. Chapters 15 &amp; 16</p>	<p>Presentation/Comments: De Jong, A., Kabir, R., &amp; Nguyen, T. T. (2008). <b>Capital structure around the world: The roles of firm-and country-specific determinants. Journal of Banking &amp; Finance, 32(9), 1954-1969.</b></p> <p>Quiz 01, week 1, 2 and papers - lectures</p>

<b>LEARNING UNIT II: ENTERPRISE VALUATION AND PROJECT FINANCE</b>		
<b>LEARNING OUTCOMES:</b>		
Use of financial tools to evaluate projects		
Review mergers and acquisitions concepts		
<p><b>4°</b> <b>From April 15 to 20</b></p> <p><b>(Holiday 18,19 and April 20)</b></p>	<p><b>1.4 Enterprise Valuation I</b></p> <p>1.4.1 Market capitalization</p> <p>1.4.2 Valuation Models</p> <p>1.4.3 Discount Rate</p> <p>1.4.4 Finance Report example</p> <p>1.4.5 S&amp;P, Fitch, Moody´s</p> <p>1.4.6 Financial Planning and Forecasting</p> <p>1.4.7 Investment Valuation</p> <p>1.4.8 NPV</p> <p>1.4.9 IRR</p> <p>1.4.10 Pro-forma and Forecasted Statements</p>	<p>Presentation and discussion: Smith, J., Smith, R. L., Smith, R., &amp; Bliss, R. (2011). <b>Entrepreneurial finance: strategy, valuation, and deal structure.</b> Stanford University Press.</p> <p>Presentation of taks project, Topcis in Finance, Chapter 2</p>
<p><b>5°</b> <b>From April 22 to 27</b></p>	<p><b>1.5 Mergers and Acquisitions (M&amp;A)</b></p> <p>1.5.1 Forms of acquisitions</p> <p>1.5.2 Synergy</p> <p>1.5.3 Reason for Merge</p> <p>1.5.4 Stockholders</p> <p>1.5.5 Type of Stocks</p> <p>1.5.6 Tax consideration</p> <p>1.5.7 Check list to evaluate a M&amp;A</p> <p><b>Required reading:</b> Ross, S., Westerfield, R. &amp; Jaffe, J. (2007) <i>Modern Financial Management.</i> Chapter 29.</p>	<p>Presentation and discussion: Walsh, J. P. (1989). <b>Doing a deal: Merger and acquisition negotiations and their impact upon target company top management turnover.</b> <i>Strategic management journal</i>, 10(4), 307-322.</p> <p>Presentation of taks project, Topcis in Finance, Chapter 4</p>
<p><b>6°</b> <b>From April 29 to May 4</b></p>	<p><b>1.6 WORKING CAPITAL MANAGEMENT</b></p> <p>1.6.1 Credit Policy</p> <p>1.6.2 Evaluating Trade Discounts</p> <p>1.6.3 Inventory Costs</p> <p>1.6.4 Inventory Management Techniques</p> <p>1.6.5 Savings examples</p> <p>1.6.6 Cash Budget</p> <p>1.6.7 Forecast balance sheet</p> <p>1.6.8 COSO</p> <p><b>Required reading:</b> Reading assigned by the professor</p>	<p>Presentation and discussion: Juan García-Teruel, P., &amp; Martínez-Solano, P. (2007). <b>Effects of working capital management on SME profitability.</b> <i>International Journal of managerial finance</i>, 3(2), 164-177.</p> <p>Presentation of taks project</p> <p>Quiz 02 (week 3, 4, 5 and lectures - papers)</p>
	<b>1.7 Project Finance</b>	

<p>7° From May 06 to 11</p>	<p>1.7.1 Capital Budgeting 1.7.2 The Payback Period 1.7.3 Net Present Value 1.7.4 Internal Rate of Return 1.7.5 Type of agreement, technical and finance 1.7.6 Working Capital 1.7.7 Credit Policy</p>	<p>Presentation of taks project, Topcis in Finance, Chapter 3</p>
<p>8° From May 13 to 18</p>	<p><b>MID-TERM EXAM</b></p>	
<p>9° From May 20 to 25</p>	<p><b>1.8 Project Finance using PMI.</b> 1.8.1 Charter 1.8.2 Characteristics in Project Finance 1.8.3 PMI 1.8.4 Agency problem 1.8.5 Manage Risk and othe chapters 1.8.6 Costs, suppliers and communication</p>	<p><i>Lecture: PMI Book 6th Edition</i>  Presentation of taks project</p>
<p><b>LEARNING UNIT III: FINANCIAL RISK, REPUTATION AND CORPORATE SOCIAL RESPONSIBILITY</b> <b>LEARNING OUTCOMES:</b> Understand the importance of risk manangement Analyze the importance of risk reputation Review the international risk standards</p>		
<p>10° From May 27 to June 1</p>	<p><b>1.9 Risk Management and ISO 31000: 2018</b> 1.9.1 Risk meaning 1.9.2 Ratio Analysis calculation (impact in the corporate governance)  1.9.3 Measures  1.9.4 Prices and returns 1.9.5 SML, CAPM, Beta 1.9.6 Industry Ratios 1.9.7 Market Price, Latam Programs 1.9.8 Portafolios theory (two assets) 1.9.9 EPU  1.9.10 Equity, Bonds, Vector Price, calculation, discount and Premium value.  1.9.11 Yield to maturiy</p> <p><b>Required reading:</b> Ross, S., Westerfield, R. &amp; Jaffe, J. (2007) <i>Modern Financial Management</i>. Chapter 9. Jorion, P. (2010). <i>Financial Risk Manager HANDBOOK</i>. Chapter 10. Lizarzaburu, E. (s.f.). <i>Topics in Finance</i>, Chapter 2</p>	<p>Lecture: Bolaños, E. R. L., Barriga, G., &amp; Noriega, E. (2018). <b>Gestión Integral de Riesgos y Antisoborno: Un enfoque operacional desde la perspectiva ISO 31000 e ISO 37001. Universidad &amp; Empresa, 21(36), 79-118.</b></p> <p>Lecture: Olechowski, A., Oehmen, J., Seering, W., &amp; Ben-Daya, M. (2016). <b>The professionalization of risk management: What role can the ISO 31000 risk management principles play?. International Journal of Project Management, 34(8), 1568-1578.</b></p> <p>Presentation of taks project</p>

<p>11° From June 03 to June 08</p>	<p><b>1.10 Reputational Risk</b> 1.10.1 Stakeholders and the relation with reputation 1.10.2 Reputation theory in several sectors  1.10.3 Law 30424 and ISO 37001</p>	<p>Presentation of taks project  Lecture: Fombrun, C. J., Gardberg, N. A., &amp; Barnett, M. L. (2000). <b>Opportunity platforms and safety nets: Corporate citizenship and reputational risk. Business and society review, 105(1), 85-106.</b></p>
<p>12° From June 10 to 15</p>	<p><b>1.11 Credit Risk.</b> 1.11.1 Banking credit risk 1.11.2 Credit scoring 1.11.3 Enterprise credit risk 1.11.4 5 C of Credit 1.11.5 Term of sale 1.11.6 Credit alternatives (factoring, letters) - instruments</p> <p><b>Required reading:</b> Ross, S., Westerfield, R. &amp; Jaffe, J. (2007) <i>Modern Financial Management</i>. Chapter 28. Jorion, P. (2010). <i>Financial Risk Manager HANDBOOK</i>. Chapter 18.</p>	<p>Lecture: Crouhy, M., Galai, D., &amp; Mark, R. (2000). <b>A comparative analysis of current credit risk models. Journal of Banking &amp; Finance, 24(1-2), 59-117.</b></p> <p>Presentation of task project</p>
<p>13° From June 17 to 22</p>	<p><b>1.12 Corporate Social Responsibility</b> 1.12.1 Definition 1.12.2 Principles 1.12.3 Actual tendency <b>Required reading:</b> Ross, S., Westerfield, R. &amp; Jaffe, J. (2007) <i>Modern Financial Management</i>. Chapter 28. Jorion, P. (2010). <i>Financial Risk Manager HANDBOOK</i>. Chapter 18.</p>	<p>Paper: Ferrell, O. C., Harrison, D. E., Ferrell, L., &amp; Hair, J. F. (2019). <i>Business ethics, corporate social responsibility, and brand attitudes: An exploratory study. Journal of Business Research, 95, 491-501.</i></p> <p>Presentation of taks project Quiz 03 (week 10, 11 and 12 - papers and lectures)</p>
<p>14° From June 24 to 29</p>	<p><b>1.13 Big data, analytics and cryptocurrencies</b> 1.13.1 Big data in corporate finance 1.13.2 Analytics for valuations 1.13.3 Tendency of cryptocurrencies</p>	<p>Presentation of taks project</p>
<p>15° From July 01 to 06</p>	<p>Individual Research Presentations</p>	<p>Individual Research Presentation</p>
<p>16° From July 08 to 13</p>	<p><b>FINAL EXAM</b></p>	

## VIII. Bibliography

### Basic bibliography

- Lizarzaburu, E. (s.f.). *Topics in Finance*, Primera Edición, Editorial Pearson
- Ross, S., Westerfield, R. & Jaffe, J. (2007) *Modern Financial Management*. 8th Edition. Mc Graw Hill.
- Jorion, P. (2010). *Financial Risk Manager HANDBOOK*, 6th Edition, Garp, Wiley Finance
- Benninga, S. (2008), *Financial Modeling*, 3<sup>rd</sup> Edition, The MIT Press, Cambridge

### Complementary bibliography

- Ross, S., Westerfield, R. & Jaffe, J.. *Corporate Finance*. 7<sup>th</sup> Edition, Mc Graw – Hill International Edition.

### Papers

- Microfinance Sector in Emerging Capital Markets: Peruvian Financial Entity CMAC (CAJA Municipal de Huancayo), Emeraldinsight, Research in Finance, 2018  
<https://www.emeraldinsight.com/doi/abs/10.1108/S0196-382120170000034014>
- CSR Actions in Companies and Perception of Their Reputation by Managers: Analysis in the Rural Area of an Emerging Country in the Banking Sector, Sustainability, 2018  
<http://www.mdpi.com/2071-1050/10/4/920>
- A Government funding tool: The Designated Market Maker program and the Bond market in Peru, Revista Espacios, 2016  
<http://www.revistaespacios.com/a16v37n12/16371207.html>

## IX. Lab Support

## X. Professor

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