

Course Unit:

Economics and Corporate Finance

Field of study:

-

Year of study:

1

Semester:

1

Academic Year:

2009/2010

Code:

-

Type:

-

Level:

-

Master in:

Management

School:

Escola Superior de Tecnologia e de Gestão de Bragança

ECTS credits:

6.0

Workload (hours):

162.0

Contact hours:

| T | TP | PL | TC | S | E | OT | O |
|---|------|----|----|-----|---|------|---|
| - | 48.0 | - | - | 2.0 | - | 10.0 | - |

T - Lectures; TP - Lectures and problem-solving; PL - Problem-solving, project or laboratory; TC - Fieldwork; S - Seminar; E - Placement; OT - Tutorial; O - Other

Name(s) of lecturer(s):

Ana Paula Carvalho do Monte, Humberto Nuno Rito Ribeiro

Learning outcomes and competences:

At the end of the course unit the learner is expected to be able to:

1. Understand the functioning of real markets as influencing environment and as influenced by business.
2. Understand the emergence of corporations as an alternative to the market in the context of the economic decision and of the functioning of the economy.
3. Analyse the structure of a given market and understand the process of economic regulation.
4. Understand the strategic behaviour of corporations in markets and apply the Theory of Games to the business dynamics.
5. Understand the scope of a financial transaction, the meaning of the three variables involved and so-called golden rule of the financial calculus.
6. Know and apply key concepts of Corporate Finance. Critically evaluate the efficiency of the Corporate Finance techniques.
7. Contribute to the development of good financial management practices of different organizations.
8. Communicate effectively with non financial managers.

Prerequisites:

Before the course unit the learner is expected to be able to:

1. For economics, there are no prerequisites.
2. For Corporate Finance, have basic knowledge on the financial statements of the company.

Course contents:

Module I: The Business Economics under the Economy and Industrial Organization scope. The market as integrating environment of the business. A model of sectorial analysis. The business under economic analysis. The market and the strategic behaviour. Strategic behaviour as a limitation of competition.

Module II: The nature and aims of Corporate Finance. Present Value and Investment Decision. Capital Management. Risk management of the business. Portfolio management. Insurance Topics.

Course contents (extended version):

1. Module I - Economics (30h):

- The Business Economics under the Economy and Industrial Organization as a mean of study of real markets. Assumptions and methodological considerations. The corporation and the Economy.
- The market as an integrating environment of business. Analysis of market efficiency. Market power and inefficiency. Efficiency and welfare. Perfect competition and monopoly.
- A model of sectorial analysis. The paradigm Structure-Behaviour-Performance. Description and methodological presentation. Analysis of market structure. Measures of concentration and volatility.
- The business under economic analysis. The business as a decision centre. The Company and the market. The company as an alternative organization to the market. The objectives of the company. Stakeholders in the company. Incentives and motivations. Brief reference to the Agency Theory. Corporate Theories.
- The market and the strategic behaviour. Imperfect market structures. Oligopoly and Game Theory. Strategic behaviour and agreements between corporations.
- Strategic behaviour limiting competition. The Regulatory State on the economy. The State's intervention in the economy. Rationale. The political process. The policy interventions on the market and enterprises. Industrial policy, competition policy and regulation.

2. Module II - Corporate Finance (30h):

- The nature and aims of Corporate Finance: Introduction: The company and its environment, scope and objectives of corporate finance, agency and control problems of the organization.
- Present Value and Investment Decision: Topics in Financial Mathematics, Investment Decisions, Methodology of evaluation of real investments, methods of evaluation and selection of actual investment projects.
- Capital Management: The financing sources selection, the capital structure and dividend policy.
- Risk management of the business: Return and risk; The modern financial theory, derivatives and risk management - the basics.
- Portfolio management: Investments in financial assets, portfolio performance assessment, evaluation of bonds portfolio performance.
- Topics on insurance: probabilistic annuities according to the length of human life; life insurance; reserves and costs of policies.

Recommended reading:

1. Besanko, David, et al. (1996); "Economics of Strategy", New York, John Wiley and Sons, Inc..
2. Brickley et al. (2004); "Managerial Economics and Organizational Architecture", 3ª Ed., Mac Graw-Hill.
3. Fabozzi, Frank J. (1995); "Investment Management", Prentice-hall, Englewood Cliffs, New Jersey.
4. Mota, A. Gomes e Custódio, Cláudia (2007); "Finanças da Empresa", Booknomics, 2.ª Edição, Lisboa.
5. Ross, S. A., Westerfield, R. W. and Jaffe, J. (2006); "Fundamentals of Corporate Finance", McGraw-Hill International Editions, 6.th edition.

Teaching and learning methods:

Expositive sessions; analysis of texts in groups, participation in seminars; discussions of texts produced by students; perform work on presented subjects with tutorial guidance.

Assessment methods:

- | |
|--|
| <p>1. Alternativa A: - (Student Worker, Regular) (Final, Supplementary)</p> <ul style="list-style-type: none"> - Development Topics - 25% - Case Studies - 10% - Development Topics - 10% - Presentations - 5% - Final Written Exam - 50% <p>2. Alternativa B - (Regular, Student Worker) (Final, Supplementary, Special)</p> <ul style="list-style-type: none"> - Final Written Exam - 100% |
|--|

Language of instruction:

| |
|---|
| Portuguese, with additional English support for foreign students. |
|---|

Electronic validation:

| | | | |
|-----------------------------|-----------------------------|-----------------------|------------------------------|
| Ana Paula Carvalho do Monte | Ana Paula Carvalho do Monte | Paula Odete Fernandes | Albano Agostinho Gomes Alves |
| 2009-12-08 | 2009-12-08 | 2009-12-08 | - |