



Lisbon School  
of Economics  
& Management  
Universidade de Lisboa

## FINANCIAL MARKETS AND MANAGEMENT

### Syllabus

#### Masters in Management

2021-2022 (Fall Semester)

**FACULTY:** Clara Raposo - [clararaposo@iseg.ulisboa.pt](mailto:clararaposo@iseg.ulisboa.pt)

**“VIRTUAL” OFFICE HOURS:** Mondays, 17:30-18:30, MS TEAMS, Team FMM-MiM

Note: In-person sessions also possible, but please confirm beforehand.

---

**COURSE OBJECTIVES:** With this course unit, students are familiarized with the main existing financial markets, as well as with the main financial decisions made by firms and other organizations, among which we highlight the investment decision, the financing decision, and the payout decision. Besides the “traditional” views on these matters, we also dedicate some attention to the current themes of ethics and sustainable finance, focusing on socially conscious investors and ESG - Environment, Social and Governance financing (including, for example, green bonds and good governance principles), and also on new non-conventional markets (like cryptocurrencies and fintech). Students should understand the main techniques and methods used to evaluate an investment, as well as the financing choices involved, and the optimal capital structure for a given company. The payout decision is also addressed.

**COURSE DESCRIPTION:** The course starts with a brief summary review of the main financial markets in place (money markets, capital markets, currency markets) and trends (such as fintech and cryptocurrencies), to move on to an overall revision of the basic concepts in finance (such as time value of money, discounting and compounding). The course then focuses on capital budgeting and the traditional financial performance measures such as the NPV or the IRR, covering the concept of Free Cash Flow, as well as robustness checks, such as scenario analysis. Turning to financial markets, bond and stock valuation, and portfolio theory and the CAPM are reviewed. This is followed by a careful discussion of the basic financing choices of firms and the theory of capital structure, starting from the Modigliani-Miller framework, discussing the trade-off theory, and also dynamic concerns. The main valuation methods used in real life situations, such as WACC, APV or FTE, are also applied. An analogy is made with respect to the payout decision. Some preliminary notions of financial option pricing allow students to, later in their professional lives, develop in more depth the topics of corporate investment and financing (such as Hybrid financing choices, like warrants and convertible bonds, and risky debt “à la Merton” with strategic debt service). A final word is dedicated to the “new industry” of ESG Investments and Sustainable Finance.

## **COURSE OUTLINE:**

1. Preliminaries & Sustainable Finance
  - 11 Financial Markets in the 21C
  - 12 Sustainable Finance Trends:  
Where are we headed? ESG Investors and Investments
2. Capital Budgeting
  - 21 Free Cash Flow
  - 22 Criteria: Payback Period, NPV, IRR, Profitability Index
  - 23 Special Cases: Inflation, Different Lives
  - 24 Robustness: Sensitivity Analysis, Scenario Analysis, Break-even Analysis
  - 25 Ask Yourself: Where's ESG here?
3. Capital Structure
  - 31 Debt and its cost (Bonds and Banks)
    - 311 A Case study on ESG & Green Bonds: GreenVolt 2021
  - 32 Equity and its cost (Dividends and Portfolios)
  - 33 Modigliani-Miller (1958)
  - 34 Corporate taxes
  - 35 Personal taxes
  - 36 Costs of Financial Distress
  - 37 Agency Costs and benefits of debt
  - 38 Trade-off theory
  - 39 Pecking order theory
  - 40 Ask Yourself: Where's ESG here?
4. Valuation
  - 41 WACC method
  - 42 APV method
  - 43 FTE method
  - 44 A hint at Special Financing policies
5. Derivatives: Financial Options – a primer
  - 41 Basic Concepts and valuation models
  - 42 A brief look at corporate examples: Warrants and Convertibles
  - 43 A brief analogy to Risky Debt: Merton's model; Anderson and Sundaresan's strategic debt service
6. Wrapping Up: The Future that's yet to come

## **BIBLIOGRAPHY:**

Any widely accepted Corporate Finance textbook is accepted and covers reasonably well the course content. A sample would be:

Berk and DeMarzo, *Corporate Finance*, 5<sup>th</sup> ed., Pearson, 2020.

Brealey, Myers, and Allen, *Principles of Corporate Finance*, 13<sup>th</sup> ed., McGraw-Hill

Damodaran, *Corporate Finance*, 2<sup>nd</sup> ed., Wiley

Hillier, Ross, Westerfield, Jaffe & Jordan, *Corporate Finance*, european ed., McGraw-Hill

Grinblat and Titman, *Financial Markets and Corporate Strategy*, McGraw-Hill

## **GRADING SYSTEM:**

- In the **Continuous Evaluation System** the grading elements are:
  - **Problem Sets** (20% of final grade).
  - **Group Work Assignments** (20% of final grade), consisting of analysing, solving and presenting a case study. Students must organize themselves in groups of six students (max). Students must prepare a written report (hard copy), together with an Excel spreadsheet (when appropriate) and a powerpoint presentation.
  - Final Exam (60% of final grade).
  - The Final Grade will be the maximum of: (i) the average of the 3 elements (problem sets, group work assignments and final exam) or (ii) the final exam grade.
- In the **Final Evaluation System**:
  - The only grading element is the final exam (potentially complemented with an oral exam, depending on the evolution of the pandemic situation.)
- Students with a final grade higher than 17 may be required to defend their grades in an oral exam.

## **EXAM DATES:**

Época Normal (First Sit): January 7<sup>th</sup>, 2022  
15:00

Época Recurso (Second Sit): February 1<sup>st</sup>, 2022  
09:00

**CLASSES:** Mondays 09:30-12:30 (8 Nov 2021 – 13 Dec 2021)

Room Anf 5 (Floor 1, Building New Quelhas).