

Syllabus
FINANCE II

Mission of the School of Economics and Business

“The mission of the School of Economics and Business is to form professionals of excellence in the fields of administration, economics, entrepreneurship and innovation who stand out for their capacity to create new businesses, their integrity and their commitment to the country’s development.”

A. General Information

1. Academic Unit	SCHOOL OF ECONOMICS AND BUSINESS			
2. Program	BUSINESS ENGINEERING			
3. Code	EEF321			
4. Number of classes per week	2 Modules			
5. Year / Semester	3 rd Year, 6 th Semester			
6. Credits	10			
7. Number of class hours	Theory		Practice	
8. Teaching Assistant class hours	1 Module			
9. Type of Course	Mandatory	X	Elective	Optional
10. Prerequisites	Finance I and Statistics II			

Business Engineering Graduate Profile of Universidad del Desarrollo

“A Business Engineer of Unidad del Desarrollo is a professional trained in the field of administration, capable of understanding the evolution of the domestic and world economies and capable of successfully undertaking functions of management and business creation. A UDD business engineer is characterized by an entrepreneurial capacity, leadership and teamwork, committed to the nation’s development, who always acts correctly both academically and professionally and is prepared to face the working world.”

B. Contribution to the Graduate’s Profile

This course intends for students to understand the theory of derivative assets and their relationship to investors engaged in the capital market. Students are expected to analyze practical situations and demonstrate a handling of the theories learned, to ultimately evaluate and make decisions pertinent to the company and investors. Students are also inculcated to act ethically and to develop reflective thought and managerial capacity.

This course is located in the cycle of study entitled “Degree” and belongs to the “Accounting-Finance” area.

The contribution to the graduate’s profile also means that this course promotes the development of the Generic Competencies of “Ethics” and “Analytical View.”

C. Goal of the General Learning in the Course

- **Learning Goal**

Understand and analyze how economic agents behave as investors on the capital market and propose hedging and arbitrage strategies for financial assets whose prices vary. This will strengthen analytical view and decision-making.

D. Units and Content and Learning Objectives

Units and Content	Learning Objectives
<p>Unit I: Investment Theory</p> <ol style="list-style-type: none"> 1. Supply and demand of capital and the importance of the capital market (summary). 2. Making decisions under risk. 3. Portfolio theory: Expected profit. Risk aversion and identifying the expected return-variance. 4. Equilibrium on the Capital Market. 5. CAPM Model, Index Model and Arbitrage Pricing Theory (APT). 6. Hypothesis on efficient capital markets. 	<ul style="list-style-type: none"> - Managing investment theory and applying it in calculus exercises and practical problems.

Units and Content	Learning Objectives
<p>Unit II: Introduction to derivative assets</p> <ol style="list-style-type: none"> 1. Definition of futures, forwards and options. 2. Differences between hedgers, arbitrageurs and speculators. 3. Futures, forwards and hedging strategies. 4. Setting future and term prices. 5. Types of bonds, their appraisal, the structure of interest rate periods, duration, convexity and immunization. 6. Distinguishing between theory and empirical evidence. 	<ul style="list-style-type: none"> - Understanding the basic concepts of derivative assets. - Understanding and learning to appraise futures, forwards and their underlying assets. - Strengthening analytical view and decision-making.

Units and Content	Learning Objectives
<p>Unit III: Options</p> <ol style="list-style-type: none"> 1. The properties of options and their markets. 2. Neutral option valuation: call-put parity and binomial trees. 3. Valuation of stock options: Black-Scholes Merton Model. 	<ul style="list-style-type: none"> - Understanding the basic concepts of financial options and learning to value them using different methods. - Interpreting and discriminating between different hedging strategies.

Units and Content	Learning Objectives
4. Option trading strategies. 5. Distinguishing between theory and empirical evidence.	

Units and Content	Learning Objectives
Unit IV: Swaps and value at risk 1. Interest rate swaps. 2. Foreign currency swaps. 3. Swap-related credit risk. 4. Value at risk (VaR).	- Know and understand swaps and how they are valued. - Know and analyze the value at risk of different investment instruments and portfolios.

E. Teaching Method

The teaching method will be based on significant learning, i.e., the contents will be presented through real cases of a company as relates to everyday life. Dialogue in the classroom will be reinforced, which will take place by the participation of students while working on the course content.

Therefore, the course is structured on the basis of following methods:

1. Lectures: occasionally supported by technology (multimedia projector).
2. Suggested reading material.
3. Collaboration: work in groups (case analysis, research project design, reading-based work).

F. Assessment

This course will use a formative assessment to provide feedback to students on the learning and formation in the course. Students will be informed of these procedures and the assessment criteria by the professor responsible for the course.

Therefore, assessments will be as follows:

Assessments
Work
Quizzes
Mid-term 1
Mid-term 2
Exam

Attendance requirement: This requirement will be stipulated in the course schedule, to be posted on the course's website each semester, and it will be defined by mutual agreement of all professors teaching the course.

G. Learning Resources

MANDATORY BIBLIOGRAPHY:

- JOHN C. HULL. (2014) Introduction to Futures and Options Markets. Eighth edition. Pearson
- BREALEY, MYERS AND ALLEN. (2010) Principles of Corporate Finance. Ninth edition. McGraw-Hill, Mexico.
- Financial and economic press: Diario Financiero, Economics and Business of El Mercurio, Diario El Pulso, among others.

FURTHER READING:

- CFA Institute, 2012, Level I, Volume 6, "Investments in derivatives and alternatives", Pearson Custom Publishing (CFA I6)

Eventually, during the semester, the teacher may add some articles or mandatory reading chapters specific to the course development.