

## [OPEFIN] OPERATIONAL FINANCE

### Introduction

How does a company ensure that it has enough money to operate and grow? How do managers evaluate the financial health of their businesses? This course examines the role of finance in supporting the marketing, production, and other functional areas of the firm, while also fostering an understanding how financial decisions can create value. Through case studies, lectures, and readings, students learn the basic analytical skills and principles of operational finance.

### Objectives

Standard techniques of analysis such as ratio analysis, pro forma statements, analysis of working capital and working capital requirement are developed. Students are also introduced to the basic concepts related to management of working capital requirement and its interrelations with the firm's sustainable growth and competitiveness.

### Content

The course materials consist of cases, technical notes and exhibits for almost all cases are available in excel format on the virtual campus. Please remember that, class discussions and analysis are not limited to the PS questions.

### Methodology

Each session will involve class discussion. In some instances, discussion will be centered on lectures; in others, it will be centered on a business case. Your participation is critical to the success of the course. You are expected to read all cases and reading materials, before coming to class, and participate in class discussions (total 62,5hrs).

- a) **Book.** Everything you need in terms of tools and knowledge is in chapters 1 and 2 of the book "*Finance for Managers*" (FFM), Ed. McGraw-Hill, 2012 by E. Martínez Abascal. Use them as a reference any time you need them... and know them by heart. Estimated time 3 hours per chapter. You will find the exhibits in Excel format in his blog <http://blog.iese.edu/martinezabascal/books/>
- b) **Cases.** After studying each note, we will apply that knowledge to the cases. You should be prepared to dedicate 2-3 hours per case.

- c) **Preparation sheet.** In order to save time, I recommend you follow closely the preparation sheet of every case.
- d) **Exhibits, supplements to do and done.** To facilitate the calculations required (sometimes many) I have included the “supplements to do”. After doing the calculations, you may check them with the “supplements done” after each class and identify errors. The supplements and exhibits are available in excel format online.

## Evaluation

Grades will be based on class participation (50%), and the individual exam (50%).

## Competences

### Basic Competences

CB6. Possess and understand knowledge that provides a basis or opportunity to be original in the development and / or application of ideas, often in a research context.

CB7. The students know how to apply the knowledge acquired and their ability to solve problems in new or unfamiliar environments within broader (or multidisciplinary) contexts related to their area of study.

CB8. The students can integrate knowledge and face the complexity of formulating judgments based on information that, being incomplete or limited, includes reflections on social and ethical responsibilities linked to the application of their knowledge and judgments.

CB9. Students know how to communicate their conclusions and the knowledge and ultimate reasons that support them to specialized and non-specialized audiences in a clear and unambiguous way.

CB10. Students possess the learning skills that allow them to continue studying in a way that will be largely self-directed or autonomous.

### General Competences

CG1-To explain and discuss business situations in a rigorous, effective way using both formal and informal procedures, and providing relevant information to support their observations and conclusions.

CG7-To distinguish and categorize relevant information effectively for business decision making.

### Specific Competences

CE3-To evaluate the quality of the information, contained in financial reports, and to detect cases of irregular accounting.

CE12 – To devise a personal ethical framework for decision making in the organization through reflection and critical discussion of the traditional ethical thought systems.

CE21-To estimate the operating needs of funds and choose the most appropriate financial products for financing: credit policies, factoring, confirming, terms of payment with clients and suppliers, etc.

CE24-To design treasury management and risk coverage strategies (exchange rates, interest, prices of raw materials, etc.) through financial assets and derivatives.

CE25-To analyze operating decisions economically (e.g., whether to accept an order, to manufacture or outsource, to withdraw a product, to close a department, to offer a discount, etc.) using differential cost analysis.

CE26-To design cost allocation systems to evaluate the profitability of products, customers, and departments. To understand incentives and behaviors stemming from the system within the organization.

