

University Master Degree in Hotel Management

Academic Year: 2016-2017

Teaching guide

Area: Financial Management

Subject: International Financial Management II

Period: Semester 2

Lecturers:

Dr. Juan Pedro Aznar Alarcón

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MODULE: INTERNATIONAL HOTEL MANAGEMENT

AREA: FINANCIAL MANAGEMENT

SUBJECT: INTERNATIONAL FINANCIAL MANAGEMENT II

CODE: MHMIFMII

LANGUAGE: ENGLISH

YEAR: 1

PERIOD: SEMESTER 2

CREDITS: 5 ECTS

1. Subject objectives

The second semester in Corporate Finance has two main different objectives. The first one is that student understand the main financial markets and what is their paper as a way of finance firm growth. The second objective is related to learning some specific useful tools in finance needed to take investment decisions and preparing a business plan or judging the feasibility of a new project.

In the first part, that focuses in financial markets, the student will be able to understand what are the main variables that explain the changes in these markets. Financial markets include the bond markets (studying secondary market valuation and the relation between interest rate and bond prices), the stock market and firms valuation (considering the most usual valuation methods), the exchanges markets and the options (as a tool for managing exchange and interest risk), considering the particularities of the hospitality industry, this part will include some reflections about the real state market.

The second part of the course focuses in giving students some frequent tools used by financial managers. Students will learn to apply these tools in the specific situation of hotels. Some of these tools are: capital structure and the cost of capital, pro forma analysis, working capital management and short time financial planning. Finally the syllabus will cover mergers and acquisitions and discussions about academic papers related to finance and the hospitaliyt sector.

2. Competencies developed

Basic

B06 - knowledge and understanding that provide a basis or opportunity for originality in developing and / or applying ideas, often in a research context

B07 - students can apply their knowledge and their ability to solve problems in new or unfamiliar environments within broader (or multidisciplinary) contexts related to their field of study

B08 - students are able to integrate knowledge and handle complexity and formulate judgments based on information that is incomplete or limited, include reflecting on social and ethical responsibilities linked to the application of their knowledge and judgments

B09 - students can communicate their conclusions and the underlying supporting knowledge and rationale to specialists and non-specialists in a clear and unambiguous way.

B10 - students must possess the learning skills that enable them to continue studying in a way that will be largely self-directed or autonomous

General

G01 - be able to search and manage information from sources in order to make decisions that contribute to achieving the objectives of the organization

Transversales

T03 - use English as the language of the hotel industry in developing a career in an international environment

Specific

E03 - Manage and plan the economic-financial resources affecting the hotel industry, as well as making investment decisions

E07 - evaluate the operational areas of the different types of accommodation and catering for a full analysis of the production process in terms of excellence and quality of service

E08 - Detect technical planning needs of infrastructure and hotel facilities to plan their maintenance, renovation and improvement

E10 - Identifying and using information technology and communications (ICT) in the various fields of hotel management companies, both internally and externally

3. Content

Interest rates:nominal and real. Interest rates and monetary policy. The yield curve. Bonds and its different types. The secondary market and the bonds valuation. Bond ratings.. Related material: Chapter 6 , Corporate Finance,(Berk, de Marzo and Harford). Power point slides related to this topic

Stock valuation. Stocks markets main variables. Introduction to fundamental analysis and technical analysis. The dividend-discount method and its limitations. Shares repurchases. Related material: Chapter 7, Corporate Finance, Berk, de Marzo and Harford. Power point slides. We will use the Wall Street Journal website to work with real data. The students must be familiar with the use of this website

Firms valuations: The discounted free cash-flow model. The use of multiples and its limitations. The risk and return relation. Diversification and risk management. The market risk and the use of Beta.. Related material: Chapters 10,11 and 12 of Corporate Finance (Berk, De Marzo and Harford). Fernandez, Pablo. "Valuation using multiples: How do analysts reach their conclusions?." Available at SSRN 274972 (2013).

Cost of capital and capital structure. The weighted average cost of capital (WACC). The use of WACC

as a tool for valuing projects. The initial Public Offering. Capital structures choices. Debt and taxes.. Related material: Chapter 13 and Chapter 16. Corporate Finance (Berk, De Marzo and Harford). Sabal, Jaime. "On the applicability of WACC for Investment Decisions." CARTA DEL EDITOR IN CHIEF 3.2 (2009).

Financial modeling and pro forma analysis. Forecast of financial statements: the percent of sales method. The working capital and its management. Short term financial options: the importance of the matching principle. Cash-flows budgets.. Related material: Chapter 19 and Chapter 20. Corporate Finance (Berk, De Marzo and Harford)

Exchange rates markets. The exchange rates fundamentals. Exchange risk management. The use of Forward Contracts and its valuation. . Related material: Chapter 23. Corporate Finance (Berk, De Marzo, Harford)

The derivatives financials products. The financial futures and their use for hedging. Introduction to options. Call and Put options. The value of one option and its determinants. The use of options for hedging. Related material: Chapter 21. Corporate Finance (Berk, De Marzo and Harford)

Mergers and acquisitions. Reasons to acquire. The Takeover process. Takeover defenses. . Related material: Canina, Linda, Jin-Young Kim, and Qingzhong Ma. "What We Know about M&A Success A Research Agenda for the Lodging Industry." Cornell Hospitality Quarterly 51.1 (2010): 81-101. Chapter 22. Corporate Finance (Berk, De Marzo and Harford)

Overview of research in the hospitality industry and finance.. Related material: Students will present different academic papers with focus on finance. The papers will be given to the students with at least two weeks in advance

Growth in the hospitality sector. Franchising versus management contracts. Related material: Chathoth, Prakash K., and Michael D. Olsen. "Strategic alliances: a hospitality industry perspective." International Journal of Hospitality Management 22.4 (2003): 419-434. Dahlstrom, Robert, et al. "Governance structures in the hotel industry." Journal of Business Research 62.8 (2009): 841-847.

Course review. This last session is going to be used to review the course content. This last session will also be used in the final presentations for the project we have been working in collaboration with Hilton Hotels..

4. Teaching methodology

Plenary Lectures. Each class one hour or one hour and a half is going to be used in terms of a plenary session where we will explain the concepts and tools used and its limitation. This plenary session is always followed by practical exercises or case studies that help the student to really learn by doing the concepts.

Student Presentations (individual or group). Students will present different works, almost each week, some of them in groups and some of them individually. Each student will try to value a firm that is listed in the stock market and will defend his/her valuation in front of the others. Each student has also to work on one academic paper and be able to summarize the main conclusions and limitations in front of the others. Finally, as groups, students will be divided into two groups that have to work on the project we are

doing with Hilton Hotels and present their final result.

Practical evaluation. Many of the financial tools we will study as weighted average capital cost, short term financial planning, options used for hedging risks or firm valuation using cash-flow discounts can be applied to practical situations, we will do that almost in all sessions.

Project evaluation. In this part of the course students will again have contact with the industry. The projects involves Hilton, and what we would be doing is a future forecast for 5 years and use investment evaluation tools.

5. Assessment activities

Regular examination call

- **The project is a group work that will be used in order to examine a real case in the hotel industry and apply most of the tools covered in the syllabus. The project in terms of outcome implies to present a written report including their valuation of the firm and to do an oral presentation where they can defend their points of view. (Apr, 07/2016)**

Supervised project (Group - 35%)

Evaluated competences: B06,B07,B08,B09,B10,G01,T03,E03,E07,E08,E10

- **Student has to summarize and present an academic paper related to the hospitality industry and related to the topic of finance. This will include an oral presentation in front the rest of the class**

Academic Work (Individual - 5%)

Evaluated competences: T03,B07,B10,G01

- **Final exam. Two hours and half long, with theoretical and practical questions related to the syllabus covered in class.**

Final exam (Individual - 30%)

Evaluated competences: G01, T03, B06, B07, B08,B09,B10,E03,E07,E08, E10

- **Students will deliver a portfolio of different exercises related to the different topics covered through the course.**

Case analysis (Individual - 30%)

Evaluated competences: B06,B07,G01,E03

The minimum required in the supervised project and the final exam to pass the subject is 5 out of 10.

Resit examination call

- **Student should solve a portfolio of different exercises and case analysis**

Academic Work (Individual - 40%)

Evaluated competences: B06,B07,B08,B09,B10,G01,E03, E07,E08,E10,T03

- **The final exam will include exercises and theoretical questions that cover all the syllabus.**

Final exam (Individual - 60%)

Evaluated competences: B06,B07,B08,B09,B10,G01, T03, E03, E07,E08,E10

A minimum of 5 out of 10 is required in the final exam

Repeating students without attendance: regular examination call

- **Portfolio of exercises and a case analysis, the different exercises cover all the subject syllabus**

Academic Work (Individual - 40%)

Evaluated competences: B06,B07,B08,B09,B10,G01,T03,E03,E07,E08,E10

- **The final exam will long around 2,5h. It is a mix of theoretical questions and practical questions aimed to show if the students know how to apply the financial tools and also understands the limitations of these tools.**

Final exam (Individual - 60%)

Evaluated competences: B06,B07,B08,B09,B10,G01, T03,E03,E06.E07,E08,E10

A minimum of 5 out of 10 is required in the final exam

Repeating students without attendance: resit examination call

- **Portfolio of different exercises**

Academic Work (Individual - 40%)

Evaluated competences: B06, B07,B08,B09;b10,G01,T03,E03,E07,E08,E10

- **Theoretical and practical questions covering the whole syllabus**

Final exam (Individual - 60%)

Evaluated competences: B06,B07,B08,B09,B10,G01,T03,E03,E06,E07,E08,E10

A minimum of 5 is required in the final exam

Follow-up meetings

Week 3 (Feb, 16/2016), 15:00

Week 7 (Mar, 22/2016), 15.00

Week 13 (Apr, 19/2016), 15.00

6. Bibliography

Mandatory readings

- Fundamentals of Corporate Finance. Berk, De Marzo, Harford. Prentice Hall ISBN: 978-0-13-214823-8
- Dahlstrom, Robert, et al. "Governance structures in the hotel industry." *Journal of Business Research* 62.8 (2009): 841-847.
- Chathoth, Prakash K., and Michael D. Olsen. "Strategic alliances: a hospitality industry perspective." *International Journal of Hospitality Management* 22.4 (2003): 419-434.
- Sabal, Jaime. "On the applicability of WACC for Investment Decisions." *CARTA DEL EDITOR IN CHIEF* 3.2 (2009).
- Canina, Linda, Jin-Young Kim, and Qingzhong Ma. "What We Know about M&A Success A Research Agenda for the Lodging Industry." *Cornell Hospitality Quarterly* 51.1 (2010): 81-101.
- Karadeniz, Erdinc, et al. "Determinants of capital structure: evidence from Turkish lodging companies." *International Journal of Contemporary Hospitality Management* 21.5 (2009): 594-609.

7. Lecturer/s

Dr. Juan Pedro Aznar Alarcón (Head lecturer) - pedro.aznar@htsi.url.edu

Contact hour: Tuesday 13h to 14h

8. Observations

- * Information on the academic calendar, exam timetables, and room assignment will be posted on the virtual campus and on the faculty's web site once it is available.
- * Academic norms and regulations is an obligation for all the members of the academic community in the faculty.