

27328 - Financial Risk Management

Syllabus Information

Academic Year: 2020/21

Subject: 27328 - Financial Risk Management

Faculty / School: 109 - Facultad de Economía y Empresa

228 - Facultad de Empresa y Gestión Pública

301 - Facultad de Ciencias Sociales y Humanas

Degree: 454 - Degree in Business Administration and Management

448 - Degree in Business Administration and Management

458 - Degree in Business Administration and Management

ECTS: 6.0

Year: 3

Semester: 448 - Second semester

454 - Second semester

458 - Second semester

Subject Type: Compulsory

Module: ---

1.General information

1.1.Aims of the course

The course and the expected results reflect the following approaches and aims:

- To introduce the concept of risk and to identify the factors that cause it, including financial risk factors, market factors and financial risk situations.
- To measure, in monetary terms, the possible impact of the risk factors analysed in the company results, as well as to examine the sensitivity of company results, and the value of the company in the presence of potential variations of the risk factors studied.
- To characterize and understand the operation of the main financial instruments traded in markets for financial risk management.
- To manage the different financial risks, designing hedging strategies, taking positions in the financial derivatives analysed, or through other mechanisms, both independently and through integrated management.

These approaches and objectives are aligned with the Sustainable Development Goals (SDGs) of the 2030 agenda and certain specific goals (<https://www.un.org/sustainabledevelopment/en/>), contributing to some extent to their achievement:

SDG 8, Promoting inclusive and sustainable economic growth, employment and decent work.

Target 8.1. Maintaining economic growth per capita in accordance with domestic circumstances and, in particular, a growth in the gross domestic product of at least 7% per year in the least developed countries.

SDG 13: Adopting urgent measures to combat climate change and its effects.

Target 13.1 Strengthening resilience and adaptive capacity to climate-related risks and natural-disaster risks in all countries.

SDG 16: Promoting fair, peaceful and inclusive societies.

16.6 Creating effective, transparent and accountable institutions at all levels.

1.2.Context and importance of this course in the degree

Financial Risk Management is one of the subjects of Finance, included in the Accounting and Finance module defined within the curriculum. It is established as part of the mandatory training of the degree. It is a third year subject and taught in the second semester when the students have already had some training in financial assessment and in the financial decision-making processes.

The contents of the subject complement those of Financial Management, providing basic knowledge about decision making

in risk management and financial instruments. Furthermore,

Financial Risk Management introduces students to some basic aspects of risk that are addressed more deeply in optional courses in the fourth year, such as International Financial Management or Financial Markets. Finally, it should be noted that risk management is an essential part of the strategic planning and of the decision-making process in company management

1.3.Recommendations to take this course

Financial Risk Management takes a mainly practical approach. Attendance to sessions and continuous work by the student are recommended in order to pass, which means attending both the theoretical and practical sessions, resolving the cases proposed by the teacher and working in teams.

2.Learning goals

2.1.Competences

After completing the course, the student will be competent to:

- Assess the situation and future evolution of companies and organizations, make decisions and access the relevant knowledge.
- Issue advisory reports on specific situations of markets, sectors, organizations, companies and their functional areas.
- Understand and apply professional standards and scientific rigour to solve economic, business and organizational problems.
- Solve problems.
- Analyze and seek information from several sources.
- Adapt to new situations.
- Apply knowledge in practice.

2.2.Learning goals

The student, in order to pass the course, will have to show competence in the following skills:

To be capable of using tools to identify, measure and manage the diverse financial risks to which businesses are exposed and to be aware of the conceptual and theoretical framework to properly assess market and credit risks. Specifically, the student is able to:

- Identify, define and classify different types of financial risks and their positions.
- Quantify the results of using different financial instruments in risk management and their limitations.
- Select and interpret information to manage the interest rate risk by analyzing expectations and assessing the exposure level.
- Identify, at a basic level, useful information for decision-making in currency risk management, performing basic operations for its management.
- Quantify the credit risk effect on an operation's value and return and interpret information used by members of financial markets.
- Identify models and tools in integrated risk management.

2.3.Importance of learning goals

The learning outcomes of this course are important because risk is inherent in the development of any business activity. The increasing complexity of the business environment and financial markets requires greater management control of the positions taken by companies, requiring appropriate risk control procedures adapted to current regulations. This considerably increases the risk level, so companies must be prepared to anticipate the risks borne, measure their impact, analyse the implications of acting adequately to manage their positions, according to their purposes.

3.Assessment (1st and 2nd call)

3.1.Assessment tasks (description of tasks, marking system and assessment criteria)

The student will prove that he/she has achieved the learning outcomes through the following assessment tasks: In the first sitting, there are two evaluation systems:

Continuous assessment, consisting of two theoretical and practical exams. The first exam, which represents 40% of the final grade in the continuous assessment if the student obtains a minimum score of 3 out of 10, will take place between the last two weeks of March and the first two weeks of April, and the second exam, which represents 40% of the final grade in the continuous assessment if the student obtains a minimum score of 3 out of 10, will take place in May, during the last days of the term in the dates provided by the centre to develop the continuous assessment tests of the second-term courses.

Additionally, the assessment of a group work will be included, which represents 20% of the final grade in the continuous assessment if the student obtains a minimum score of 3 out of 10.

The exams will be written and will consist of theoretical and practical questions. The practical questions will be in line with the practical cases proposed in class during the course. Each exam will include the contents taught up to the test date.

The team work will consist of solving problems and practical situations that are close to reality, in which students must apply the knowledge acquired in the lectures. The teacher will propose the cases and the students will present their suggestions for the solution. This will be done during one or several of the practice sessions P6 on the dates assigned by the centre, which will be confirmed by the teachers. If the P6 practice sessions are not assigned in the schedule of the centre, the work group will be held in one session, within the schedule of the subject, taking place between the last two weeks of April and the first two weeks of May.

To pass the subject through the continuous assessment option, the result of the prior weighting should be equal to or more than 5 points out of 10, additionally, it is required a minimum score of 3 out of 10 in each of the continuous assessment sections.

Global assessment: the student who does not opt for continuous assessment, does not pass the subject through continuous assessment or wants to improve his/her mark, will be entitled to sit the global exam; and the best of the two scores obtained will prevail. The global exam consists of a theoretical and practical exam to be held on the date and time established. It will include the solving of practical exercises about course topics and theoretical questions, which may be

theoretical-practical questions. To pass the course, the student must obtain a score equal to or greater than 5 points out of 10. In addition, students who had chosen the continuous assessment system but did not pass or those who want to sit the global assessment can keep the score of the team work (provided that this score exceeds the minimum score of 3 out of 10), representing 20% of the final score, and the remaining 80% will correspond to the score obtained in the global assessment exam. To pass the course in this case, the weighted sum of the scores achieved in each part must be equal to or higher than 5 out of 10.

In the second sitting, the assessment will only be carried out through a final exam with theoretical and practical content. This exam will consist of solving practical exercises on aspects of the course and theoretical questions that may be open or multiple choice.

All the assessment tasks (both the tests and the group work in the continuous and the global assessment systems) are expected to be carried out in person at the faculty by the students, but if the health circumstances require it, they will be carried out with a blended system; i.e. semi-attendance or online. In the online-assessment case, it is important to highlight that, at any test, the student may be recorded, being able to exercise their rights by the procedure indicated in:

https://protecciondatos.unizar.es/sites/protecciondatos.unizar.es/files/users/lopd/gdocencia_reducida.pdf ?

The necessary software will be used to check the originality of the activities carried out. The detection of plagiarism or copying in an activity will imply a grade of 0 points in it.

4. Methodology, learning tasks, syllabus and resources

4.1. Methodological overview

The learning process designed for this course is based on:

The course is based on lectures and practice sessions. Given the operational nature of the subject, lectures will also include practical examples, discussion of news related to the course or debates on these issues. The sessions are intended to be participatory. The practice sessions will consist of practical cases which the students will study and solve with the supervision of the teacher.

Finally, complementary activities of the course will consist of voluntary assignments. The students who wish to do them will create groups and the teacher will indicate the specific content. At different stages, the different groups and the teacher will discuss their decisions, tools used, and conclusions drawn. These meetings will be held in the non pre-scheduled practice sessions (P6); if these sessions do not exist, it will be held in one session, within the schedule of the course, and in dates indicated in the Assessment section, in the Continuous assessment tasks.

4.2. Learning tasks

- Lectures.
- Practice sessions in which the cases proposed by the teacher will be solved.
- Works, developed in non pre-scheduled practice sessions (P6 or group work sessions if P6 sessions do not exist within the schedule of the course) for tutorials and developing the group work.
- Tutorials. Students can attend office hours with the teachers of their group.
- Autonomous work and study to prepare the course and exams: The use of ICTs as tools for studying and learning: the teaching platforms available on the Anillo Digital Docente of the University of Zaragoza will be used to provide information about the subject for students.
- Exams: Students will follow the content collected in ?Assessment? section.

Hence, the course hours are organized as follows:

- Lectures 30 hours
- Practice sessions 30 hours
- Tutorials, seminars, works, and autonomous work 90 hours
- Total: 150 hours = 6 ECTS

At first, the teaching methodology is expected to be face-to-face classes. However, if it is necessary for health reasons, face-to-face classes may be taught with a blended system of semi-attendance (semi-face-to-face) or online.

4.3. Syllabus

This course will address the following topics.

- **Topic 1. Risk Factors At The Company**
 - Risk definition. External and internal risk factors. Risk positions and classification.
- **Topic 2. Interest Rate Risk.**
 - Interest rate concept. Classification of interest rates. Term structure of interest rates. Forward interest rate and forward interest curve.
- **Topic 3. Interest Rate Risk Measurement.**
 - Identification of risk positions from unexpected changes in interest rates. Tools for interest rate risk measurement. Measurement techniques of interest risk in companies.
- **Topic 4. Financial Instruments for Risk Management**
 - Forward rate agreements. Interest rate swaps (IRS). Futures contracts and options. Risk of their use.
- **Topic 5. Currency Risk Management.**
 - Features and basic operations of currency markets. The exchange rate. The currency risk exposure. Financial instruments to manage currency risk. Forward contracts or exchange risk insurance.
- **Topic 6. Credit Risk**
 - Definition of credit risk and importance. Determinants of the yield spread. Methodologies to quantify the credit risk of a company.
- **Topic 7. Credit Risk Management.**
 - Credit risk rating and determinants. Credit risk management through credit derivatives. Integrated management of interest rate risk and credit risk.
- **Topic 8. Value at risk models.**
 - Concept and utility of risk value models. Effects of incorporating risks into models. Future perspectives for risk management.

4.4.Course planning and calendar

Further information concerning the timetable will be available on the website of the corresponding faculty, and group work presentations and other activities will be provided on the first day of class by the teacher and on the Moodle website of the University of Zaragoza.

The activities and key dates will be made public through the appropriate channels at the beginning of the class period of the course. In this sense, the dates of the exams will be made public in class and on the digital teaching platform. The dates of the P6 activities (or group work sessions in case of absence of P6 hours in the schedule of the centre) and the dates of the final exams are on the website of the different Faculties in which the degree is taught.

4.5.Bibliography and recommended resources