

Academic Year/course: 2021/22

## 30625 - Financial Risk Management

### Syllabus Information

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**Academic Year:** 2021/22

**Subject:** 30625 - Financial Risk Management

**Faculty / School:** 109 - Facultad de Economía y Empresa

**Degree:** 432 - Joint Law - Business Administration and Management Programme

**ECTS:** 6.0

**Year:** 5

**Semester:** First 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 global tasks. One exam consisting of theoretical and practical questions to be held on the date and time established in the official sittings. It will include the solving of practical questions that will be in line with the practical cases proposed in class during the course, theoretical questions and theoretical-practical questions that may be open or multiple choice. Furthermore, the assessment includes one team work, which represents 30% of the final assessment grade. 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 of the P6 practice sessions on the dates assigned by the centre, which will be confirmed by the lecturers. 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. (In the Campus of Huesca, if the P6 practice sessions are not assigned in the schedule of the centre, the work group will be held along the theoretical and practical sessions within the schedule of the subject). To pass the course, the student must obtain a score equal to or greater than 5 points out of 10. This grade will be obtained as a weighted average of the grades obtained in the assessment tasks, choosing the highest grade between these two alternatives: a) 30% of the score corresponds to the team-work grade and the remaining 70% corresponds to the exam grade, b) 100% of the grade corresponds to the written exam grade. In the first case, a minimum grade of 3 point out of 10 is

required in the written exam. In case that the student does not reach the minimum grade, the final grade will be the grade obtained in the written exam. The grade of the team work will be kept for the two official sittings.

All the assessment tasks (both the exam and the group work) 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 task, 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](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 following:

The subject will be taught through theoretical and practical sessions. Given the operational nature of the subject, the theoretical sessions 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 practical sessions will consist of practical cases which the students will study and solve with teacher supervision.

Finally, the complementary activities of the course will consist of voluntary assignments. The students who wish to do them will form 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-periodic 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
- Practical sessions to solve the cases proposed by the teacher.
- Assignments, developed during the non-periodic practices (P6 or group work sessions if P6 sessions are not assigned in the centre schedule) for the tutoring and development of the group work.
- Tutorials, the students will have individualized office hours with the teachers of their group.
- Autonomous work 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: the students will follow what is established in the "Assessment" section.

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

#### UNIT 1: RISK FACTORS AT THE COMPANY

Risk definition. External and internal risk factors. Risk positions and classification.

#### UNIT 2: INTEREST RATE RISK.

Interest rate concept. Classification of interest rates. Term structure of interest rates. Forward interest rate and forward interest curve.

#### UNIT 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.

#### UNIT 4: FINANCIAL INSTRUMENTS FOR RISK MANAGEMENT

Forward rate agreements. Interest rate swaps (IRS). Futures contracts and options. Risk of their use. UNIT 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.

#### UNIT 6: CREDIT RISK

Definition of credit risk and importance. Determinants of the yield spread. Methodologies to quantify the credit risk of a company.

#### UNIT 7: CREDIT RISK MANAGEMENT.

Credit risk rating and determinants. Credit risk management through credit derivatives. Integrated management of interest rate risk and credit risk.

#### UNIT 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**

The schedule of sessions will be made public on the websites of the different faculties, and the dates of the work presentations and other activities will be notified by the teacher in the presentation class of the course and on the e-learning platform "Anillo Digital Docente" (ADD) of the University of Zaragoza.

Key activities and dates will be announced through the appropriate channels at the beginning of the academic period of the subject. The partial exam dates will be communicated in class and on the e-learning platform (ADD). The dates of the P6 practices (or group work sessions if P6 sessions are not assigned in the schedule of the centre) and the dates of the two final exams are available on the different faculty websites.