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| Academic year | 2016-17 |
| Subject | 11455 - Financial instruments for the tourism industry |
| Group | Group 1, 1S |
| Teaching guide | C |
| Language | English |

Subject identification

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| Subject | 11455 - Financial instruments for the tourism industry |
| Credits | 0.72 de presencials (18 hours) 2.28 de no presencials (57 hours) 3 de totals (75 hours). |
| Group | Group 1, 1S (Campus Extens) |
| Teaching period | First semester |
| Teaching language | English |

Professors

| Lecturers | Horari d'atenció als alumnes | | | | | |
|---|------------------------------|----------------|--------|------------|-------------|--|
| | Starting time | Finishing time | Day | Start date | Finish date | Office |
| Gonzalo Lozano Arnica gonzalo.lozano@uib.es | 12:00 | 13:00 | Monday | 05/09/2016 | 28/07/2017 | DB101 (Cita previa por Forum Indiv. de Tut.) |

Contextualisation

Running a business involves many decisions that have financial components which can be very important. The proper incorporation of financial aspects in business decisions requires a measure of understanding of some financial concepts and of the operation of certain financial markets. The course is aimed at students who have a basic knowledge of corporate finance and financial markets, and who want to go deeper into two major financial issues that business must deal with: the valuation of investment projects and the management of certain uninsurable business risks.

Let's consider the first of these two problems: the valuation of investment projects. To value an investment project, a risk adjusted discount rate is needed. How to calculate that discount rate? The CAPM model is the workhorse of modern financial economics and proposes an equilibrium relationship between risk and reward. This equilibrium relationship can be used in the calculation of the risk adjusted discount rate of the investment project under valuation.

The second of the problems is the management of certain uninsurable risks. Derivatives markets, mainly forward, futures and option markets, can be used to hedge these risks: for example, those originated in the unpredictable evolution of interest rates, or of the prices of stocks, of foreign exchange, or of a huge variety of commodities. Important risk factors for the tourism industry are the volatility of foreign exchange rates, and of prices of some commodities like jet fuel. Their management is not a simple thing. Derivatives can be a useful tool, hence, the foreign exchange, jet fuel and weather futures and options will be covered as the second half of the syllabus.

Requirements

Essential requirements

Basic knowledge of financial concepts and techniques, as the one you get in a Tourism Degree.

Recommendable

Interest in the financial side of financial decisions.

Skills

Specific

- * CE4 - Learn how to apply the techniques of financial management in tourism organizations..

Generic

- * CG4 - Know the fundamentals and apply methodologies suitable for the analysis of the tourism industry..

Transversal

- * CT1 - Capacity for analysis and synthesis..
- * CT6 - Being able to take decisions and solve problems..

Basic

- * You may consult the basic competencies students will have to achieve by the end of the Master's degree at the following address: http://estudis.uib.cat/master/comp_basiques/

Content

Theme content

- L1. The basics of finance
 - The function of financial markets.
 - Returns: risk and reward.
- L2. Capital Asset Pricing Model
 - Sistematic and non-sistematic risk.
 - Optimal porfolios. Capital Market Line.
 - Equilibrium relationship between risk and reward. Seculity Market Line
- L3. Foreign exchange markets
 - Spot and forward markets.
 - The determinacion of the forward fx-rate
- L4. Foreign exchange futures and options
 - Organized foreign exchange future markets.

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Options on currencies.

Option valuation.

L5. Other derivatives

Futures and options on jet fuel.

Futures and options on weather.

Teaching methodology

In-class work activities

| Modality | Name | Typ. Grp. | Description | Hours |
|-------------------|---|-----------------|---|-------|
| Theory classes | | Large group (G) | Adquisition of the ideas, concepts and models necessary to understand the two main issues that the course is aimed at: how a rate of discount is to be adjusted for risk, and how to use derivatives for the to management of certain business risks. Classroom lessons. | 5 |
| Practical classes | | Large group (G) | Simulations and problem solving of the two issues the course is aimed at. Computer room work using EXCEL or a similar software. | 10 |
| Assessment | Essay | Large group (G) | Students assesment. | 1 |
| Assessment | Problem solving (using a computer) | Large group (G) | Students assesment. | 1 |
| Assessment | Problems: results presentation and commentary | Large group (G) | Students assesment. | 1 |

At the beginning of the semester a schedule of the subject will be made available to students through the UIBdigital platform. The schedule shall at least include the dates when the continuing assessment tests will be conducted and the hand-in dates for the assignments. In addition, the lecturer shall inform students as to whether the subject work plan will be carried out through the schedule or through another way included in the Campus Extens platform.

Distance education work activities

| Modality | Name | Description | Hours |
|--------------------------------|------|--|-------|
| Group or individual self-study | | Study, readings, exercise and problem solving. | 57 |

Specific risks and protective measures

The learning activities of this course do not entail specific health or safety risks for the students and therefore no special protective measures are needed.

Student learning assessment

Theory classes

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|-------------------------|--|
| Modality | Theory classes |
| Technique | Other methods (non-retrievable) |
| Description | Adquisition of the ideas, concepts and models necessary to understand the two main issues that the course is aimed at: how a rate of discount is to be adjusted for risk, and how to use derivatives for the to management of certain business risks. Classroom lessons. |
| Assessment criteria | |
| Final grade percentage: | 8% |

Practical classes

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|-------------------------|---|
| Modality | Practical classes |
| Technique | Other methods (non-retrievable) |
| Description | Simulations and problem solving of the two issues the course is aimed at. Computer room work using EXCEL or a similar software. |
| Assessment criteria | |
| Final grade percentage: | 7% |

Essay

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|-------------------------|--|
| Modality | Assessment |
| Technique | Papers and projects (retrievable) |
| Description | Students assesment. |
| Assessment criteria | |
| Final grade percentage: | 35% with minimum grade 0 |

Problem solving (using a computer)

| | |
|-------------------------|---|
| Modality | Assessment |
| Technique | Real or simulated task performance tests (retrievable) |
| Description | Students assesment. |
| Assessment criteria | |
| Final grade percentage: | 25% with minimum grade 0 |



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Problems: results presentation and commentary

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|-------------------------|---|
| Modality | Assessment |
| Technique | Extended-response, discursive examinations (retrievable) |
| Description | Students assesment. |
| Assessment criteria | |
| Final grade percentage: | 25% with minimum grade 0 |

Resources, bibliography and additional documentation

Complementary bibliography

BODIE, KANE, MARCUS, Essentials of Investments, 2010
ESTRADA, Finance in a Nutshell, 2005
HULL, Fundamentals of Futures and Options Marlkets, 2008
LEVICH, International Financial Markets: Prices and Politics, 2001

Other resources

<http://www.cmegroup.com/education/>
http://www.cmegroup.com/trading/weather/files/WEA_intro_to_weather_der.pdf

