

Academic year	2015-16
Subject	11455 - Financial instruments for the tourism industry
Group	Group 1, 1S
Teaching guide	A
Language	English

## Subject identification

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

## Professors

Lecturers	Horari d'atenció als alumnes					
	Starting time	Finishing time	Day	Start date	Finish date	Office
Gonzalo Lozano Arnica <a href="mailto:gonzalo.lozano@uib.es">gonzalo.lozano@uib.es</a>	12:00	13:00	Monday	14/09/2015	25/07/2016	DB101. Cita previa por e-mail.

## Contextualisation

Running a business involves many decisions that have a financial component 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 get deeper in two major financial issues that business must deal with: the assessment 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 evaluate 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-reward. This equilibrium relationship can be used in the calculation of the risk adjusted discount rate of the investment project under evaluation.

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.

The volatility of foreign exchange rates, the changes of jet fuel prices and the variability of weather are important risk factors for the tourism industry. 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 in the second half of the subject.

## 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/](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	Problems: results delivery	Large group (G)	Students assesment.	
Assessment	Problems: results presentation	Large group (G)	Students assesment.	
Assessment	Problems (to be computer solved)	Large group (G)	Students assesment.	3

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



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## 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

### Problems: results delivery

Modality	Assessment
Technique	Short-answer tests ( <b>retrievable</b> )
Description	Students assesment.
Assessment criteria	
Final grade percentage:	25% with minimum grade 0

### Problems: results presentation

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

### Problems (to be computer solved)

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

### Group or individual self-study

Modality	Group or individual self-study
Technique	Objective tests ( <b>non-retrievable</b> )
Description	Study, readings, exercise and problem solving.
Assessment criteria	
Final grade percentage:	25% with minimum grade 0

## Resources, bibliography and additional documentation

### Complementary bibliography





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

#### **Other resources**

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<http://www.cmegroup.com/education/>  
[http://www.cmegroup.com/trading/weather/files/WEA\\_intro\\_to\\_weather\\_der.pdf](http://www.cmegroup.com/trading/weather/files/WEA_intro_to_weather_der.pdf)

