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## Course Package “Financial risk management”

<b>Work Package</b>	WP3: Development of Course Materials for the Reformed MA Programmes, Deliverable 3.1
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## Document History

Version	Date	Author(s)	Description
1.	15.12.2018	Liudmila Todorici	1 <sup>st</sup> Draft of Development of Course Materials
2.	21.01.2019	Eric NASICA Srdjan REDZEPAGIC Olivier BRUNO	Revised version of 1 <sup>st</sup> Draft of Development of Course Materials
3.	28.01.2019	Liudmila Todorici	2 <sup>nd</sup> Draft Review-Updating of Course Materials
4.	30.01.2019	Eric NASICA Srdjan REDZEPAGIC Olivier BRUNO	Revised version of 2 <sup>nd</sup> Draft of Development of Course Materials
5.	02.02.2019	Liudmila Todorici	Final version of Course Materials

### Disclaimer:

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## 1. General information about the course

Explanation: Please fill in the table below.

<b>Title of the course (as specified in the reformed curriculum)</b>	Financial risk management
<b>Name of the teacher</b>	Liudmila Todorici
<b>Novelty of the course (please select as appropriate)</b>	This course is a newly developed course (new in the curriculum)
<b>Year of the course in the curriculum</b>	1
<b>Semester of the course in the curriculum</b>	2
<b>Language of instruction of the course</b>	Russian, English
<b>Number of ECTS credits</b>	5

## 2. Learning outcomes of the course

**As a result of studying the discipline "Financial risk management" students should:**

- Know the conceptual and theoretical basis of risk management, security the competitiveness of corporations, and the need to manage financial risks in the corporate; sources of information used in the analysis of risks; methodology of financial analysis, possess the skills to diagnose the current financial condition of the corporate , possess the skills to diagnose the probability of bankruptcy.
- Be able to identify financial risks in their activities varieties and methods of neutralization be able to apply the method of analysis for identification of provisions which could improve the financial condition of the company and to reduce the level of financial risk.
- Have skills in be able to use the methods and tools of risk management for adoption of management decisions on implementation of specific projects and decisions on how to Finance the growth of the value of the Corporation

### 3. Syllabus of the course

Explanation: Please provide a detailed syllabus of the course (broken down in weeks) – maximum 2 pages

#### SYLLABUS OF THE COURSE

The title of topic	Form of study				Total	Form of control
	Classroom			self-study		
	Total	lection	seminars/			
Topic 1. Theoretical basis of financial risk management	4	2	2	18	22	1,3
Topic 2. Methodological tools of assessment of financial risks of the corporate	8	4	4	18	26	1,3
Topic 3. The mechanism of neutralization of financial risks of the corporate	8	4	4	20	28	1,2,3
Topic 4. Features of financial risk management in the operating activities of the corporate	8	4	4	18	26	1,3
Topic 5. Features of financial risk management in investment and financial activities of the corporate	8	4	4	18	26	1,3
Topic 6. Features of neutralization of bankruptcy risk in the process of crisis financial development of the corporate	4	2	2	18	22	1,2,3
Total	40	20	20	110	150	

Form of control:

1-reports and essays;

2-Colloquium;

3-survey and testing.

<b>Title of the course:</b> Financial risk management
<b>Semester:</b> 2
<b>Number of ECTS credits:</b> 5
<b>Language of instruction:</b> Russian, English
<b>Type of course:</b> Special discipline
<p><b>Brief summary of course contents:</b></p> <p>The course "Financial risk management" is to provide fundamental and practical training in the field of theory and practice of risk management, as well as the development of methods for assessing the effectiveness of the risk management system. The discipline is intended to provide formation of system of knowledge on the modern concept of risk management in the organizations formed on the corporate rights. The subject of the discipline "Financial risk management" are the main issues of the theory and practice of managing companies at risk, aimed at the development of the company taking into account the degree of risk and quantitative indicators of alternatives. In the process of studying the course students form ideas about the formation of a method and a way to reduce risk in modern economic conditions, methods of analysis, development and implementation of anti-crisis programs.</p>
<p><b>Topic 1. Theoretical basis of financial risk management</b></p> <ol style="list-style-type: none"> <li>1. Economic nature and classification of financial risks</li> <li>2. The content of the corporate financial risk management process</li> <li>3. Financial risk management mechanism of the corporate</li> <li>4. Development of risk theory in the process of economic thought evolution</li> </ol> <p><i>This topic reveals the essence of financial risk, its classification. The main elements of the financial risk management mechanism of the corporate, its stages are given. And also provides a brief overview of the development of the theory of risk.</i></p>
<p><b>Topic 2. Methodological tools of assessment of financial risks of the corporate</b></p> <ol style="list-style-type: none"> <li>1. Methodological tools of technical analysis.</li> <li>2. Methodological tools of fundamental analysis.</li> </ol> <p><i>This topic reveals the technique of technical analysis, through the trend analysis of the currency and futures market, Forex signals, as well as pivot points to determine the levels of support and resistance. In fundamental analysis, the emphasis is on the study of the financial statements of the corporate, in the context of determining its property status, profitability, liquidity, financial stability and business activity, cash flow analysis.</i></p>
<p><b>Topic 3. The mechanism of neutralization of financial risks of the corporate</b></p> <ol style="list-style-type: none"> <li>1. Prevention and limitation of financial risks of the corporate</li> <li>2. Hedging financial risks of the corporate</li> <li>3. Diversification, transfer and self-insurance of corporate risks</li> <li>4. Insurance of financial risks of the corporate</li> </ol> <p><i>This topic describes how to neutralize or neutralize the effects of financial risks. Methods of hedging, insurance and self-insurance are presented. The positive and negative aspects of hedging, insurance and self-insurance are revealed.</i></p>
<p><b>Topic 4. Features of financial risk management in the operating activities of the corporate</b></p> <ol style="list-style-type: none"> <li>1. Managing the risk of reducing the financial stability of the corporate</li> </ol>

2. Managing the risk of insolvency
- 3 corporate credit risk management

*This topic presents the mechanism of risk management arising in the main, that is, the operating activities of the corporate. The stages of the management process, as well as the mechanism of their neutralization or leveling are revealed.*

**Topic 5. Features of financial risk management in investment and financial activities of the corporate**

1. corporate project risk management
2. risk management of financial instruments for investment
3. currency risk management
4. interest rate risk management
5. control the inflationary and deflationary risk

*This topic presents the mechanism of risk management arising in the investment and financial sector. The stages of the management process, as well as the mechanism of their neutralization or leveling are revealed.*

**Topic 6. Features of neutralization of bankruptcy risk in the process of crisis financial development of the corporate**

- 1 the essence and objectives of anti-crisis financial management
- 2 diagnosis of the financial crisis of the corporate
- 3 the use of internal mechanisms for financial stabilization of the corporate
- 4 restructuring of the company's debt in the process of its financial recovery
- 5 financial aspects of corporate reorganization

*This topic describes the main stages of anti-crisis financial management. The technique of revealing of crisis of a financial condition at the corporate is given. The main ways of financial stabilization and financial rehabilitation through restructuring and reorganization of the corporate are outlined.*

**Main references and reading:**

- Berk J., DeMarzo P. Corporate Finance 3rd edition. — Prentice Hall, 2013. — 1141 p. in color. — ISBN 0132992477, 9780132992473.
- Brealey R., Myers S., Allen F. Principles of Corporate Finance 11th Edition. — McGraw-Hill/Irwin, 2014. — 1005 p. — ISBN 978-0-07-803476-3.
- Hull J.C. Options, Futures, and Other Derivatives N.-Y.: Prentice Hall, 2014. — 896 p.
- Fabozzi F.J. (Ed.) Encyclopedia of Financial Models Wiley, 2012. — 2100 p. — ISBN: 1118006739, 9781118006733 3 Volume Set.
- Hull J.C., Risk Management and Financial Institutions, 3rd ed., Wiley 2012 (required reading)-784p. ISBN-13(EAN): 9781118955949
- Schmidlin, N.: “The Art of Company Valuation & Financial Statement Analysis”; Wiley; 2014. ISBN: 9781118843048
- Financial management : practice / comp. T. I. Melnikova, C-bags.— Novosibirsk : publishing House-vosibags, 2009.— 148 p. ISBN: 65.291.921 (Финансовый менеджмент : практика / сост. Т. И. Мельникова ; Си-БАГС.— Новосибирск : Изд-воСибАГС, 2009.— 148 с. ISBN: 65.291.921)
- Vorobyov S. N. Management of the risk of entrepreneurship / S. N. Vorobyev, K. V. Baldwin. - M: Table and K, 2013. — 481p.( Воробьев С. Н.управление рисками предпринимательства / С. Н. Воробьев, К. В. Болдуин. - М.: таблица и к, 2013. — 481p.)

#### 4. Teaching methodology of the course

• Students receive information during the lecture. A lecture is an oral presentation of information, built on a strictly defined logical structure, subordinate to the task as deeply and clearly as possible to reveal a given topic. During the lecture, you can use the following methods:

- Introductory lectures -outlines the main problems of the course as a whole or its section. It includes "key" questions, the understanding of which allows you to better understand the material of subsequent topics or independently understand it.

-Lecture-discussion is characterized by the fact that the teacher in the presentation of the lecture material not only uses the answers of students to his questions, but also organizes a free exchange of views in the intervals between logical sections.

-Visualization lectures involve the use of special virtual means of presenting the material. Within the framework of this lesson, the demonstration of videos, photos, presentations, slides, work with online information, commenting and discussion of the viewed material. This option is popular among teachers and students, used in the practice of most educational institutions.

-Lecture with pre-planned errors. The need to develop students ' ability to quickly analyze professional situations, act as experts, opponents, reviewers, isolate incorrect or inaccurate information that led to the development of lectures with pre-planned errors.

-Lecture-press conference. Calling the topic of the lecture, the teacher asks students to ask him questions in writing on this topic. Each student must within 2-3 minutes to formulate the most interesting question, write on a piece of paper and pass the teacher. Then the lecturer for 3-5 minutes sorts the questions according to their semantic content and begins to lecture. The presentation of the material is constructed not as an answer to each question, but as a related disclosure of the topic, during which the appropriate answers are formulated.

• Seminar classes. During these classes, students present the material received at the lecture, in conjunction with the teacher, in order to gain a thorough understanding of the information. Also, various tasks are solved together.

• Laboratory research. During these classes, students solve problems independently, under the supervision of teachers. Conduct a study of the financial statements of the company, in search of possible foci of risk. s well as in search of possible ways to optimize the financial situation.

• Research method. After analyzing the material, setting problems and tasks and brief oral or written instruction, the trainees independently study literature, sources, conduct observations and measurements and perform other actions of a search character.

• Interactive teaching method. Using the Moodle platform. The educational process in this form of training can be continuous; you can start studying at any time. With the help of the Moodle platform, there is a connection between the student and the teacher.



## **5. Labour market relevance of the course**

During meeting with employers in Comrat State University, was presented main stages of the "REFINE" project.

The study of the labor market for this course is quite relevant, as revealed the problem of lack of competent personnel in the field of financial risk management, identified the need to strengthen the knowledge and skills of graduates in the field of financial risk management.

Main additional competencies and skills that organizations expect from a new employee in the financial sector:

- Risk management;
- Risk assessment;
- Bankruptcy Diagnosis.

Based on the results of the analysis in the summary of the main results of the seminar with employers it is recommended to strengthen knowledge, skills or competencies in the field of "Financial risk management".

## 6. Assessment and grading

Explanation: Please explain the form of assessment of the course – maximum ½ page

Comrat State University has a 10-point grading system.

To pass the course, students must have a current assessment of the results of listening to the discipline, which consists of the average of the estimates at the seminar (current survey, tests, presentations, reports, abstracts, messages, essays, etc.) and the certification assessment (control work). After that the student is allowed to take the exam. The composition of the examination ticket - 2 theoretical questions and 1 task. The final grade for the course is determined by summing the exam score multiplied by 0.4 and the current average score multiplied by 0.6.

## 7. References

Explanation: Please provide the main references and recommended reading for the course – maximum 1 page

1. Berk J., DeMarzo P. Corporate Finance 3rd edition. — Prentice Hall, 2013. — 1141 p. in color. — ISBN 0132992477, 9780132992473.
2. Brealey R., Myers S., Allen F. Principles of Corporate Finance 11th Edition. — McGraw-Hill/Irwin, 2014. — 1005 p. — ISBN 978-0-07-803476-3.
3. Hull J.C. Options, Futures, and Other Derivatives N.-Y.: Prentice Hall, 2014. — 896 p.
4. Fabozzi F.J. (Ed.) Encyclopedia of Financial Models Wiley, 2012. — 2100 p. — ISBN: 1118006739, 9781118006733 3 Volume Set.
5. Hull J.C., Risk Management and Financial Institutions, 3rd ed., Wiley 2012 (required reading)-784p. ISBN-13(EAN): 9781118955949
6. Schmidlin, N.: “The Art of Company Valuation & Financial Statement Analysis”; Wiley; 2014. ISBN: 9781118843048 Vorontsovskiy A.V. risk Management: Tutorial and workshop for undergraduate and graduate / A. V. Vorontsov. - Lyubertsy: Yurayt, 2016. - 414 p
7. Gibson, R. investment portfolio Formation. Financial risk management / R. Gibson. - M: Alpina Publisher, 2016. - 274 p.
8. Vorobyov S. N. Management of the risk of entrepreneurship / S. N. Vorobyev, K. V. Baldwin. - M: Table and K, 2013. – 481p.
9. Dana, D. V. risk Management in conditions of financial instability / D. V. Dana, J. Y. Finger. - M.: Degree, INFRA-M, 2010,. - 238 p.
10. Baldwin, V. C. risk Management innovation-Invasion activity of corporate : textbook / V. K. Baldwin, I. Perederei, R. S. Goals. - M: Table and K, 2012. - 418 p.
11. Siegel, D. Futures markets: portfolio strategies, risk management and arbitrage / D. Siegel. - M: Alpina Publisher, 2015. - 627 p.
12. Todorici Liudmila. Basics of financial management: (textbook) / Liudmila Todorici; Comrat. GOS. UN - t, N.-I. Progress center, KAF. "Accounting and Finance". - Comrat: Comrat state University, 2017. - 200 p. Bibliogr.: p. 199-200 (22 tit.). ISBN 978-9975-83-038-6.

## 8. Course assignments

Explanation: Please provide two assignments for the course (e.g. group work, project, essay, case study, homework).

### 8.1 Assignment 1

#### Essay.

An essay is an individual work. Essay writing is very useful, as it allows an author to learn to clearly and correctly formulate ideas, organize information, use the Basic concepts to allocate causal relations, to illustrate the experience of relevant examples to argue their conclusions.

The essay makes it clear to the lecturer how the student was able to present his thoughts, how he described his achievements and mistakes, whether his experience is sufficient, whether he will meet expectations in the future and whether he will be able to benefit.

The essay must be presented to the audience.

Signs that the essay should have:

- \* the presence of a specific narrow topic or question
- \* expression of individual experiences and views on a particular subject or issue
- \* the work should involve a new, subjective opinion
- \* the contents of the essay are evaluated first author's personality - his Outlook and thoughts

#### **Example essay topics**

- Securities market in the Republic of Moldova: peculiarities of functioning.
- The essence of the financial risk management strategy.
- Credit risk management, taking into account the economic realities of the Republic of Moldova

### 8.2 Assignment 2

Group work.

Group forms of work allow to create wider contacts between students. The value lies in the joint experience of the situation, the tasks of the group and in the formation of their own point of view, scientific beliefs. From the experience of group work it is noticed that students perform better tasks in the group than individually, which necessarily affects the improvement of the psychological microclimate in the classroom.

#### **(For example)**

At the beginning of the lesson, students should be divided into teams (groups) of 3-5 people who will form the financial departments of the corporate . One of the formed groups will act as appraisers. Other groups are divided into teams-corporate s.

Next, the teams can be given a situation (problem). For example: "you need to insure the financial risks for the company, what insurance methods will you use? justify your chosen method (insurance, self-insurance or hedging". In addition, the team-companies will be forced to determine the pros and cons of the chosen financial strategy and tactics for leveling the risk levels, to assess the result of the application of a particular method of insurance, to identify and provide the main arguments for the financial Director. After the discussion, each team will have to present its own version of the company's response in the field

of financial risk insurance. After the presentation of each team-corporate of its version, the team of appraisers will have to give their comments. At the end of group work, the teacher can evaluate the work of all groups.

**Annex: Presentation slides**

Explanation: Please provide presentation slides for your course (this can be done in a separate document, e.g. Power Point (Minimum: 25 slides))