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Reforming Master Programmes in Finance in Armenia and Moldova / REFINE

An Erasmus+ Capacity Building Project (2017-2020)

“Financial Risk Management”

MSU

Mihalachi Ruslan, Doctor of Economics, Associate Professor



BASIC INFORMATION



TITLE OF THE COURSE	“Financial Risk Management”
TEACHERS	Mihalachi Ruslan, Doctor of Economics, Associate Professor
YEAR OF THE COURSE	YEAR the 1st
SEMESTER OF THE COURSE	The 2nd semester
LANGUAGE	Rumanian, Russian, English.
NUMBER OF ECTS CREDITS	7 credits

LEARNING OUTCOMES



Learning outcomes:

- knowing the essence, goals and tasks of financial risk management at the enterprise;
- analysis all factors that determine the cycles of economic systems;
- adequate application of the methods and techniques for diagnosing financial risks;
- proper use of methods and techniques of the financial risk management;
- implementing the risk management system in the enterprises;
- evaluation bankruptcy risk in situation of financial crisis.

SYLLABUS OF THE COURSE



WEEK	TOPIC
1	Theoretical aspects of financial risk management at the company.
2	Theoretical aspects of financial risk management at the company.
3	Analysis and measurement of financial risks.
4	Analysis and measurement of financial risks.
5	Analysis and measurement of financial risks.
6	Analysis and measurement of financial risks.
7	Methods to minimize the financial risks of the enterprise.
8	Methods to minimize the financial risks of the enterprise.
9	The feature of financial risk management in the operational and investment activity of the enterprise.
10	The feature of financial risk management in the operational and investment activity of the enterprise.
11	The feature of financial risk management in the operational and investment activity of the enterprise.
12	The feature of financial risk management in the operational and investment activity of the enterprise.
13	Bankruptcy risk management in situation of financial crisis.
14	Bankruptcy risk management in situation of financial crisis.

WEEK 1



Topic 1. Theoretical aspects of financial risk management.

1.1. The risk - as the object of the firm's management. Classification of financial risks.

1.2. The mechanism of the financial risk management at the corporation.

1.3 Process of financial risk management at the corporation.

The risk - as the object of the firm's management. Classification of financial risks.

- a) Defining the risk as an economic category;
- b) Description of the main characteristics of the financial risks expressing their essence,
- c) Presentation of the structure and typology of financial risks,
- d) The characterization of the investment risk and the risk associated with the purchasing power of money as elements of the financial risk;
- e) Identification of the internal and external factors underlying them;
- f) Describing the connection between risk and cost-effectiveness.

WEEK 2



The mechanism of the financial risk management at the corporation

- a) Explaining the role and place of financial risk management in the financial management system;
- b) Expressing objectives, tasks and principles of financial risk management;
- c) Description of functions and mechanism of financial risk management;
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Process of financial risk management at the corporation.

- d) Presentation of the content of the financial risk management process to corporations;
- e) Description of the stages of the financial risk management process;
- f) Delimiting and characterizing areas of financial risks;
- g) Formation of the information base for the gesture of financial risks;
- h) Characterization of the risk-planning system of corporate activity;

WEEK 3



Topic 2. Analysis and measurement of financial risks

2.1. Methods of measuring financial risks.

2.2. Evaluation of the inflation factor in the process of managing the risks of financing.

2.3. Evaluating the liquidity factor in the process of managing the risks of financing.

2.4. Analysis of systematic and non-systematic financial risks.

Methods of measuring financial risks.

- Expressing methodical approaches to measuring financial risks;
- Analyzing the qualitative methods of measuring the financial risks;
- Analysis of quantitative methods for measuring financial risks;
- Applying methodological tools to determine the value of money in time in the process of financial risk management.

WEEK 4



Evaluation of the inflation factor in the process of managing the risks of financing.

The analyzed indicators:

- Inflation level
- Inflation Index
- Nominal value of financial means.
- The real value of financial means.
- Nominal interest rate.
- The real interest rate.

Evaluating the liquidity factor in the process of managing the risks of financing.

- The assessment of the liquidity factor includes:
- Measuring the liquidity level of the company's investments;
- Forming the required profitability level of investments with the inclusion of the liquidity factor;
- Determination of the value of money taking into account the liquidity factor.

WEEK 5



Analysis of systematic and non-systematic financial risks

Analysis of systematic financial risks.

- Expressing the context of the analysis of the economic conjuncture;
- Characterization of the fundamental market analysis;
- Characterization of technical analysis;
- Analysis of influence factors on corporate activity;
- Apply probability risk forecasting methods.

WEEK 6



Analysis of systematic and non-systematic financial risks

Analysis of non-systematic financial risks.

- Identification of internal factors of influence on corporate activity;
- Describe the methods of assessing the internal environment of corporations;
- Analysis of corporate financial policies;- Analysis of financial instruments in financial risk analysis;
- The characteristic of corporate financial operations.

Type of financial policy	Form of financial strategy	Model of the financial position of the enterprise
Aggressive politics	Strategy to support accelerated growth of entanglement	Strong position
Moderate policy	The growth assurance strategy established for the enterprise	Non-positive position
Conservative policy	Financial Crisis Strategy of Enterprise	Poor position

WEEK 7



Topic 3. Methods to minimize the financial risks of the corporation.

3.1. Internal methods to neutralize financial risks.

3.2. Ensuring corporation financial risks.

Internal methods to neutralize financial risks.

- Description of the mechanism for neutralizing the financial risks;
- Identifying the possibilities of avoiding financial risks;
- Analyzing methods for mitigating financial risks;
- Henging financial risks;



Fig 2 Internal mechanisms for risk neutralization

WEEK 8



Ensuring corporation financial risks.

- Express the essence and forms of financial risk insurance;
- Appreciation of the main principles of financial risk insurance;
- Identification of the risks that can be transferred to the insurance company;
- Characterization of selection criteria for insurance companies;
- Highlighting the main contractual conditions between the company and the insurer;
- Assessing the effectiveness of financial risk insurance;
- Appreciation of the normative basis of insurance operations.

WEEK 9



Topic 4. The feature of financial risk management in the operational and investment activity of the corporation.

4.1. The feature of financial risk management in the operational activity of the corporation.

4.2. The feature of financial risk management in the investment activity of the corporation.

The feature of financial risk management in the operational activity of the corporation.

- Management of the risk of diminishing financial stability of the company;
- Characterization the stages of optimization of the capital structure;
- Appreciation of approaches to financing the company's assets;
- Description of the management process of the company's monetary means;
- Selecting directions for optimizing company money flows.

WEEK 10



Corporate Credit Risk Management.

- Choosing corporate credit policy;
- Description of the corporate receivables management process of the corporation;
- Analysis of the main methods of refinancing trade receivables;
- Making effective control systems on corporate commercial claims.

WEEK 11



The feature of financial risk management in the investment activity of the corporation.

- Presentation of methodical principles and approaches in project management;
- Characterization of project risk assessment methods;
- Analysis of the basic indicators underlying an efficient project;
- Identification of the project risk neutralization directions;

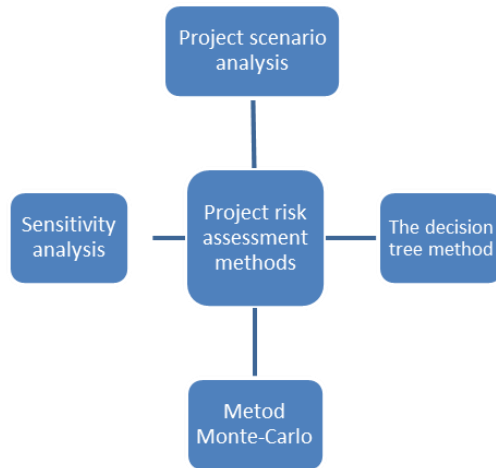


Fig 3 Methods of assessing project risk



Fig. 4 Methods of neutralizing project risks

WEEK 12



Risk management of the financial instruments.

- Explanation of the basic features of the risk of a financial instrument;
- Identifying the risks of financial instruments;
- Characterization of phases of appreciation of the risk of financial investments,
- Creating the corporate investment portfolio;
- Selecting the optimal portfolio.

WEEK 13



Topic 5. Bankruptcy risk management in situation of financial crisis.

5.1. Content and objectives of crisis management at the corporation.

5.2. Diagnosis of the financial crisis of the corporation.

5.3. Methods of stabilizing the financial situation of the corporation.

Content and objectives of crisis management at the corporation.

- Explaining the essence and tasks of crisis management within corporations;
- Career the stages of the crisis management process;
- Researching the risk factors underlying the crisis.

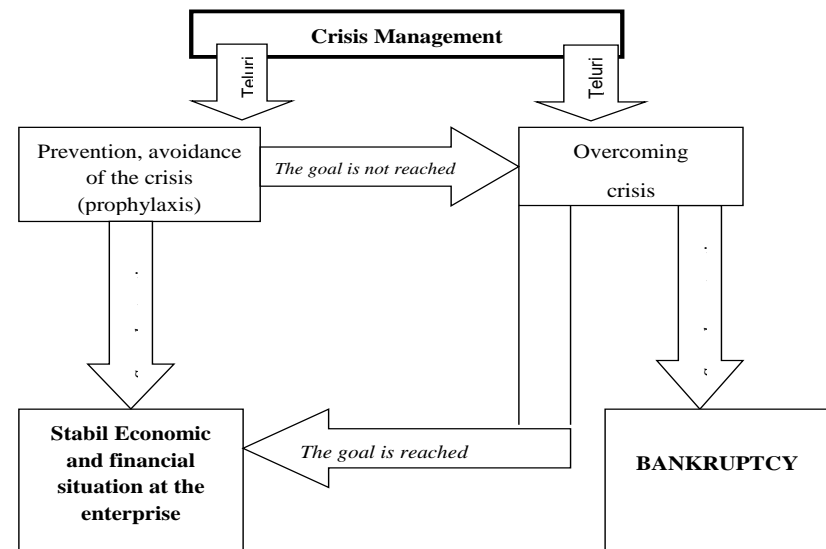


Fig. N.5 Crisis Management model

WEEK 14



Diagnosis of the financial crisis of the corporation.

- Using crisis diagnosis-express in corporations;
- Use of fundamental diagnostics of crisis situations;
- Use of methods of measurement and influence on crisis situations;
- Prognosis of corporate crisis development;
- Applying the methods of crisis overcoming;

Methods of stabilizing the financial situation of the corporation.

- Characterization of the financial stabilization stages of the corporation;
- Apply internal mechanisms of the financial stabilization corporation;
- Use of operative financial stabilization measures;
- Selection of the long-term financial equilibrium model;
- Restructuring the company's debts;
- Reorganization of the corporation and its effects.

TEACHING METHODOLOGY



In the teaching of the subject are mainly used interactive methods: problem-based learning, situation-case study, heuristic methods by which the student is stimulated to find solutions through the outcome of his own learning activity, but also traditional methods such as exposure, description, explanation phenomena and economic processes, graphic representations, comparison, etc.

The forms of organizing the training in the discipline are composed of lectures, seminars, guiding the individual activity, extracurricular activity of financial education. During the lectures are presented the basic concepts of the themes of the discipline, methods and tools used in the risk management.

The purpose of the seminars is to examine the most complicated concepts, to solve the problems related to the studied subjects; analysing, discussing and debating case studies. In the course of the seminar, students are assessed on the students' level of learning of the studied material, the presentation of the individual work.

LABOUR MARKET RELEVANCE



This course takes on the current problems of the business environment and the requirements of enterprises in the financial sector and in particular in the field of financial risk management. This course is relevant to the labor market, where there is an acute shortage of financial risk management specialists.

Hence after studying this course, the students will be able to activate not only within corporations, but also in the field of insurance, microfinance and investment companies, where they will have the option to use and apply the modern methods and techniques of financial risk management, also implementing an effective financial risk system.

ASSESSMENT AND GRADING



Evaluation of the course contains 2 parts: Current evaluation and Final evaluation.

The overall score will be determined as a weighted average in the following way:

Current evaluation, including the product of individual work – 60%;

Final evaluation – 40%

Current evaluation will be performed through:

2 control papers – written tests, which takes place during the semester at courses, seminars. They are also rated on a scale of 1 to 10 points.

The 1 test is mainly focused on the theoretical and practical aspects of risk analysis and measurement at the enterprise.

The 2 test is focused on the theoretical and practical aspects of diminishing financial risks at the enterprise. Elaboration and submission of the product of individual work (contains a product based on the analysis\research of a selected topic from the list of themes offered) ;

Final evaluation – written exam, which includes 2 subjects from the course studied.

Each subject of the test includes tasks to: a) knowledge; b) application; c) integration.(ex. Assignment 2).

It is rated on a scale of 1 to 10 points.

REFERENCES



1. Berk J., De Marzo 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., Risk Management and Financial Institutions, 3rd ed., Wiley 2012 (required reading)- 784p. ISBN-13(EAN): 9781118955949.
4. David Ardia. Financial Risk Management, Springer-Verlag Berlin Heidelberg 2008. — 201p. ISBN 978-3-540-78656-6.
5. David L. Olson. New Frontiers in Enterprise Risk Management, Springer-Verlag Berlin Heidelberg 2008, 236p. ISBN 978-3-540-78641-2.
6. H. Gifford Fong. The World Of Risk Management, World Scientific Publishing 2006, p.218, ISBN 981-256-517-5
7. Franceschetti, Financial Crises and Earnings Management Behavior (Contributions to Management Science) SIP 2017 161p. ISBN-13:9783319541204.
8. Haven (Eds), The Handbook of Post Crisis Financial Modeling. Palgrave Macmillan 1st ed. 2015, XIX, 316 p. ISBN 978-1-137-49448-1.

COURSE ASSIGNMENT 1

1. Assignment 1

STATE UNIVERSITY OF MOLDOVA
Departament „Finanțe și Bănci”



TEST

Financial Risk management

VARIANTA 1

Subject 1. Analysis and measurement of financial risks

- I. At the level of knowledge** 3p
1.1. Classify and classify the main categories of financial risks. Risk zones.
- II. At application level** 5 p.
1.2. Analyze the main analysis risk methods.
- III At the integration level** 7 p.
1.3. Determine the risk of Title A and its components. Comment the results.

	The state of the economy	Probability	A	Market
1	Recession	0,3	15%	20%
2	Normal	0,2	18%	28%
3	Rising	0,5	40%	45%

Subject 2. Risk in investment activity

- I. At the level of knowledge** 3p
2.1. Define the concept of investment risk, characterize the types of this risk category. Express the difference between risk and uncertainty..
- II. At application level** 5 p.
2.2. Analyze the main methods of the risk diminution
- III At the integration level** 7 p.
2.3. Determine whether it is appropriate to set up a portfolio of Titles A and B. The weight of each is 50%. Make the necessary conclusions.

Trim.	Rentab- A	Rentab- B
1	11	14
2	14	12
3	15	10
4	15	11

Baremul de evaluare

Point	6 – 8	9 – 11	12 – 18	19 – 25	26 – 28	29 – 30
Note	5	6	7	8	9	10

COURSE ASSIGNMENT 2/OR CASE STUDY DESCRIPTION



Individual work involves preparing for seminars in accordance with the objectives set in the curriculum: studying the legislative and regulatory framework that relates to the themes, problem-solving, research projects or case studies.

Requirements for structure, product of individual activity

1. Description of the case and the tasks of the course holder;
2. Applied methodology, which includes:
 - a. Information base (legislative and normative framework, methodological sources, monographs, scientific papers, statistical databases, etc.)
 - b. the research methods used (quantitative and qualitative);
3. Settlement of the case;
4. Final conclusions;

Attachments (if required)

Individual work is appreciated on the basis of the following criteria:

1. Product structure
2. Relevance of applied methodology
3. The degree of resolution of the case
4. The argument for solutions
5. Perfecting the product.



THANK FOR ATTENTION

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