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**JAIPURIA INSTITUTE OF MANAGEMENT**

**PGDM : TRIMESTER II; BATCH 2021-23**

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| Course Code and title | 20202: Corporate Finance |
| Credits | 3 |
| Term and Academic Year | II Term, 2021 -22 |
| Course Pre-requisite(s) | Accounting for Business |
| Course Requirement(s) | Knowledge of spreadsheet applications and Basics of Statistics |
| Course Schedule (day and time of class) | As per the time table of Section A |
| Classroom # (Location) | As indicated in the time table |
| Course Instructor | Prof Ravi Agarwal |
| Email | Ravi.Agarwal@jaipuria.ac.in |
| Telephone Number (for office appointments) | 0120-4638391 |
| Student Consultation Hours | By appointment only |
| Office location | FFC 2 |

**1. Course Overview**

The introductory course of Corporate Finance has been designed for the business management students to provide them an overview of the financial environment in which a firm operates and is concerned with creation and maintenance of wealth in a rational way. Financial Management is a managerial activity which calls for planning and controlling of the firm’s financial resources. In its endeavour, it focuses on the *decision making*. Almost all decisions taken by an individual or a business firm have financial aspects and implications. Financial management is the study of decisions that have financial implications and mainly comprise of investing, financing and dividend decisions.

The course has been divided into six different modules which would take students from understanding the role of financial manager of a firm in achieving the goal of the firm. Students will learn how finance manager measures risk and return associated with any business activity and takes the investment decision if compensation for taking risk is optimal. Students will also learn how finance manager decides upon the optimal capital structure, profit distribution and working capital management. ***Further a good knowledge of the Corporate Finance will help the students to develop their understanding in the other domains like Marketing, Operations and Human Resource Development as all planning and execution and performance measurement finally take shapes in the form of financial figures. Return on investment reign supreme in any business/ economic environment***

**2. Course Learning Outcomes**

On successful completion of the course you should be able to:

CLO1: Apply financial tools for decision making

CLO2: Analyze the long-term financial decisions of a business firm

CLO3: Analyze the short-term financial decisions of a business firm

**Mapping of CLOs with PLOs**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **PLO1:** Communicate effectively | **PLO2:** Demonstrate ability to work in teams to achieve desired goals | **PLO3:** Reflect on business situations and apply relevant conceptual frameworks | **PLO4:** Evaluate different ethical perspectives | **PLO5:** Comprehend sustainability issues | **PLO 6:** Exhibit innovative and creative thinking |
|
| **CLO1** |  |  | E |  |  |  |
| **CLO2** |  | I | E |  |  |  |
| **CLO3**  |  |  | R |  |  |  |

**3. Course Modules**

|  |  |
| --- | --- |
| Overview of Corporate Finance and Risk-Return | * Corporate Finance and Role of Financial Manager
* Goal of a Firm, Agency Issue, Ethics in Business
* Risk and return relationship
* Measures of Risk
* Risk diversification through portfolio formation
* Systematic Risk vs. Unsystematic risk
* Beta concept, CAPM Model
 |
| Time Value of Money (TVM) | * Concept and importance of TVM
* Present Value (PV) calculation
* Future Value (FV) calculation
* Annuities
* Perpetuities
* Mixed streams
 |
| Long-term Investment Decisions | * Overview of Capital Budgeting
* Pay-Back Period, NPV, IRR. MIRR
* Project evaluation
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| Cost of Capital and Long-term Financing Decisions  | * Estimating cost of various sources of capital
* WACC
* Capital structure and value of firm
* Optimal capital structure
* Benefits and costs of using debt
 |
| Dividend Decisions | * Types of Dividends
* Dividend Policy Issues, information content/signaling
* Clientele effect
* Establishing dividend policy
* Stock dividends & stocks splits, stock repurchase
 |
| Working Capital Management  | * Current assets investment policies
* Current assets financing policies
* Cash conversion cycle
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4. **Text Book**

Parrino, R., & Kidwell, D. (2017). *Fundamentals of Corporate Finance.* New Delhi: Wiley India Edition.

**Suggested reference books:**

* Brealey, R. A., Myers, S. C., Allen, F., 13th Edition (2020). *Principles of Corporate Finance.* New Delhi: Tata McGraw- Hill.
* Brigham, E. F., & Houston, J. F. (2004). *Fundamental of Financial Management* (16th Edition ed.). New Delhi: South Western -Cengage Learning India Private Limited.
* Megginson, W. L., Smart, S. B., & Gitman, L. J. (2007). *Principles of Corporate Finance.* New Delhi: Cengage Learning India Private Limited.
* Damodaran, A.(2004).*Corporate Finance - Theory and Practice* (Second Edition) New Delhi:Wiley India (P) Ltd.
* Simon Benninga (2016). *FPrinciples of Finance.* New Delhi: Wiley Publication

**5. Assessment Tasks**

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| --- | --- | --- | --- |
| **Assessment Item**  | **Description** | **Weightage**  | **CLO**  |
| Quiz | There shall be 2 Quizzes of 10 marks each. These will be administered on LMS. Minimum 30-questions’ Question bank will be prepared and used for this purpose.Instructor may conduct additional quizzes as a part of formative assessment from time to time. | 20 % | CLO1, CLO2, CLO3 |
| Build your model Exercise | Each student will be required to build an excel model depicting the application of corporate finance concepts. | 20% | CLO1 |
| Group Project | This should be a comprehensive project and shall have an elements of Investing, Financing and Dividend decisions, thus covering the substantial portion of the Corporate Finance course. Ideally group project for each set of students (i.e. Project Group) shall be different to bring more diversity, shall involve varying business situations, specific to given industries/sector/ economy.  | 20% | CLO2, CLO3 |
| End-Term Examination | Question paper will assess the student’s ability to analyse the long term investing and financing decisions of a firm. | 40% | CLO1,CLO2, CLO3 |

**RUBRICS FOR ASSESSMENT COMPONENTS**

### RUBRICS FOR END TERM (40 Marks) (CLO2 & CLO3)

|  |  |  |  |
| --- | --- | --- | --- |
| **Traits** | **Below Expectations** | **Meets Expectations** | **Exceeds Expectation** |
|  | **Marks ( 0-12)** | **Marks (13-24)** | **Marks (25-40)** |
| **Select and Use Relevant Concepts and Frameworks*** Demonstration of analytical skills & logical reasoning based on concept, theories, practices, regulatory framework
 | Has limited knowledge on selecting and using relevant concepts and frameworks. Requires extensive understanding about selecting relevant concepts andframeworks. | Selects and uses relevant concepts and frameworks. Requires minimal assistance in choosing relevant concepts and frameworks. | Selects and uses relevant concepts and frameworks. Needs no assistance in selecting relevant concepts and frameworks. |

### RUBRICS FOR PROJECT ASSIGNMENT (20 Marks) (CLO2 & CLO3)

|  |  |  |  |
| --- | --- | --- | --- |
| **Traits** | **Below Expectations** | **Meets Expectations** | **Exceeds Expectation** |
|  | **Marks ( 0-6)** | **Marks (7-12)** | **Marks (13-20)** |
|  **Gather Relevant Information:****(Weightage -30%)** * About the Organisation under study viz. Firm/ companies/industry from reliable sources
* Assuring evidence of search /selection / collection of data, correctness and completeness of data and information
* Presentation of the gathered information in proper format & Style
 | Struggles to pinpoint the information needed. Gathers information from one source. Minimal evidence of appropriate search/selection criteria.Unable to reflect and comprehend the business situation due to poor understanding of required information. | Clearly identifies the information required. Gathers information from multiple valid and reliable sources. Evidence of appropriate search/selection criteria.Able to reflect and understand the business situation because of the quality of information gathered and synthesized. | Demonstrates a sophisticated understanding of what information is needed.Gathers extensive information from a variety of valid and reliable sources including journals, texts, etc., specific to the subject. Clear evidence ofappropriate search/selection criteria.Able to reflect and have a holistic view of the business situation based on extensive information gathered from a variety of sources |
| **Select and Use Relevant Concepts and Frameworks****(Weightage -70%)** * Demonstration of analytical skills & logical reasoning based on concept, theories, practices, regulatory framework
 | Has limited knowledge on selecting and using relevant concepts and frameworks. Requires extensive assistance in selecting relevant concepts andframeworks. | Selects and uses relevant concepts and frameworks. Requires minimal assistance in choosing relevant concepts and frameworks. | Selects and uses relevant concepts and frameworks. Needs no assistance in selecting relevant concepts and frameworks. |

RUBRICS TO ASSESS THE GROUP PERFORMANCE OF STUDENTS DEMONSTRATING THE ABILITY TO WORK AS TEAM(as an allied component of group project) (5M)(CLO 2 component mapped with PLO2/CG2)

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| --- | --- | --- | --- |
| **Criterion** | **Below Expectations** | **Meets Expectations** | **Exceeds Expectation** |
|  | **Marks ( 0-1)** | **Marks (2 -3)** | **Marks (4-5 )** |
| **Working with others**  | Rarely listens to, shares with, and supports the efforts of others. Often is not a good team player  | Usually listens to, shares, with, and supports the efforts of others.  | Almost always listens to, shares with, and supports the efforts of others. Tries to keep people working well together.  |
| **Contribution** | Rarely provides useful ideas when participating in a group task. May refuse to participate | Usually provides useful ideas when participating in a group task. A strong group member who tries hard | Routinely provides useful ideas when participating in a group task. A leader who contributes a lot of effort |
| **Attitude** | Is often publicly critical of the project or the work of other members of the group. Is often negative about the task(s)  | Is rarely publicly critical of the project or the work of others. Often has a positive attitude about the task(s)  | Is never publicly critical of the project or the work of others. Always has a positive attitude about the task(s)  |

### RUBRICS FOR CASE ANALYSIS/ BUILD YOUR MODEL EXERCISE (10 Marks) (CLO1)

|  |  |  |  |
| --- | --- | --- | --- |
| **Traits** | **Below Expectations** | **Meets Expectations** | **Exceeds Expectation** |
|  | **Marks ( 0-6)** | **Marks (7-12)** | **Marks (13-20)** |
| **Comprehensiveness of Case Analysis/ Build Your Model Exercise****(50%)** | Articulates few/none assumptions used in interpreting the information in ambiguous manner.Interpretation of data, reports, facts, assertions, etc., is unclear and incomplete.Articulates the inferences that partially follow from the evidences presented in an unclear fashionExplains few/none key concepts and their application in the case | Articulates the assumptions used in interpreting the information but not in a clear manner.Expresses valid interpretations of data, reports, facts, assertions, etc., in an unclear fashionArticulates the inferences that follow from the evidences presented in an unclear fashion.Explains key concepts and their application in the case but not in a precise manner. | Clearly and fairly articulates the assumptions used in interpreting the information.Reasonable and valid interpretations of data, reports, facts, assertions, etc.Clearly articulates the inferences that follow from the case.High level of accuracy in expressing key concepts and their application in the case. |
| **Select and Use Relevant Concepts and Frameworks****(50%)*** Demonstration of analytical skills & logical reasoning based on concept, theories, practices, regulatory framework
 | Has limited knowledge on selecting and using relevant concepts and frameworks. Requires extensive understanding about selecting relevant concepts andframeworks. | Selects and uses relevant concepts and frameworks. Requires minimal assistance in choosing relevant concepts and frameworks. | Selects and uses relevant concepts and frameworks. Needs no assistance in selecting relevant concepts and frameworks. |

### RUBRIC FOR QUIZZES (20 Marks) (CLO-1,2,3)

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| --- | --- | --- | --- | --- |
| **TRAITS** | **POOR** | **FAIR** | **GOOD** | **EXCELLENT** |
|  | **Marks 0-6** | **Marks 7-10** | **Marks 11-16** | **Marks 17 – 20** |
| Marks scored in the MCQ based Quizzes (with application of Excel spreadsheets)  | Only up to 30% answers are correct | Between 31% – 50% (both inclusive) answers are correct | Between 51% – 80% (both inclusive) answers are correct | More than 80% answers are correct |
| Testing Numerical solving ability, along with application of concepts, theories, postulates | A very few of the concepts are clear and student is unable to understand the same. | Some of the concepts are clear and understood by student. | Majority of concepts are clear and understood by student. |  Most of concepts are clear and understood by the student. |

**6. Session Plan**

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| --- | --- | --- | --- | --- | --- |
| **Session** | **Topic/ Sub Topic** | **Reading Reference** | **Pedagogy** | **Session Learning Outcomes** | **CLO** |
| **Module I:** **Overview of Corporate Finance and Risk-Return** |
|  | Introduction to Corporate Finance, Role of Financial Manager, Goal of firm, Agency conflicts, Importance of ethics in business | Chapter 1 | Class discussionWarm up news story/video | At the end of the session, the student will be able to describe the basics of corporate finance, primary goal of firm, agency issues and relevance of ethics in business | - |
|  | Concept of risk and return, relationship between them, Measurement of risk and return | Chapter 7 | Class discussion, Numerical exercises | At the end of the session, the student will be able to measure the risk and return in standalone context. | CLO1 |
|  | Risk and diversification,Systematic risk and unsystematic risk | Chapter 7 | Class DiscussionNumerical exercises | At the end of the session, the student will be able to explain how and why diversified portfolio reduces risk.  | CLO1 |
|  | Beta and CAPM | Chapter 7 | Class discussionSpreadsheet exercises | At the end of the session, the student will be able to measure systematic risk and explain the concept of CAPM and limitations of CAPM | CLO1 |
| **Module II:** **Time Value of Money** |
|  | Introduction to TVM, Time lines, Compounding and discounting | Chapter 5 | Class discussionSpreadsheet exercises  | At the end of the session, the student will be able to compute PV and FV in various situations  | CLO1 |
|  | FV and PV of multiple cash flows, Annuities, Perpetuities. | Chapter 6 | Class discussionSpreadsheet exercises | At the end of the session, the student will be able to estimate PV of perpetual stream of cash flows and PV and FV of annuities | CLO1 |
|  | Practice Session – application of TVM in financial planning situations | Case lets | Spreadsheet exercises | At the end of the session, the student will be able to apply the concepts learned in TVM to real life finance problems | CLO1 |
| **Module III:** **Long-term Investment Decisions** |
|  | Introduction to capital budgeting | Chapter 10Case study | Class Discussion | At the end of the session, the student will be able to explain the relevance of capital budgeting decisions for a firm | CLO2 |
|  | Capital budgeting techniques, NPV, PP, IRR, MIRR | Chapter 10 | Class DiscussionNumerical exercises | At the end of the session, the student will be able to estimate the amount of depreciation and value of fixed asset | CLO2 |
|  | Practice session | Case study | Peer learning activity | At the end of the session, the student will be able to apply the concepts of capital budgeting | CLO2 |
| **Module IV:** **Cost of Capital and Long-term Financing Decisions** |
|  | Firm’s overall cost of capital | Chapter 13Case Study | Class discussion  | At the end of the session, the student will be able to explain the concept of cost of capital | CLO2 |
|  | Estimating cost of debt, cost of equity and WACC | Chapter 13Case Study | Class discussionCase study related calculations | At the end of session, the student will be able to compute cost of debt, cost of equity and WACC | CLO2 |
|  | Capital structure and firm value | Chapter 16 | Class discussion | At the end of the session, the student will be able to explain how capital structure may influence firm value  | CLO2 |
|  | Optimal Capital Structure | Chapter 16 | Spreadsheet exercise | At the end of the session, the student will be able compute WACC and firm value for various levels of debt-equity ratio   | CLO2 |
|  | Trade-off theory, pecking order theory | Chapter 16 | Class discussion | At the end of the session, the student will be able to explain the concepts of capital structure theories  | CLO2 |
| **Module V:** **Dividend Decisions** |
|  | Dividends fundamentals, types of dividends, signalling theory of dividends, Stock repurchases | Chapter 17 | Class discussion | At the end of the session, the student will be able to explain the various types of dividends | CLO2 |
|  | Stock dividends and stock splits, dividend policy and firm value |  Chapter 17 | Class Discussions | At the end of the session, the student will be able to explain the factors influencing dividend policy of a firm | CLO2 |
| **Module VI:** **Working Capital Management** |
|  | Working capital basics, operating and cash conversion cycles | Chapter 14 | Class discussionNumerical exercises | At the end of the session, the student will be able to calculate operating and cash conversion cycle of a firm | CLO3 |
|  | Working capital investment and financing strategies, Sources of short-term financing | Chapter 14 | Class discussion | At the end of the session, the student will be able to understand the liquidity-profitability trade-off involved in working capital management strategies  | CLO3  |
|  | Summing up |  | Class Discussion | At the end of the session, the student will be able to explain all the concepts learned in the course in a comprehensive manner |  |