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**JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA**

**PGDM (SM); TRIMESTER II; ACADEMIC YEAR 2019-20**

**Course Information**

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| Course Code and title | FM102: CORPORATE FINANCE |
| Credits |  3 |
| Term and Academic Year | II Term, A.Y. 2019 -20 |
| Course Pre-requisite(s) | Fundamentals of Decision Making, Statistics and Accounting  |
| Course Requirement(s) | Knowledge of Spread sheet |
| Course Schedule (day and time of class) | As per time table |
| Classroom # (Location) | Lecture hall: 306 and 103 |
| Course Instructor |  |
| Email |  |
| Telephone Number (for office appointments) |  |
| Student Consultation Hours |  |
| Office location |  |

**Syllabi**

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| 1. **Overview of Financial Management and concept of Risk & Return:** Introduction to financial management role of finance manager , goal of firm , financial securities, sources of long term finance and concept of risk and return
2. **Time Value of Money:** Concept of time value of money, present and future value, annuities, perpetuities and its applications
3. **Investing in Long Term Assets :** Basics of capital budgeting and its techniques
4. **Long Term Financing and Cost of Capital :** Estimating the cost of various sources of capital, valuation of securities, leverage and firm valuation , dividend decision and types of dividends and its significance
5. **Working Capital Management :** Investment in current assets and current liabilities and its effect on firm’s profitability, Cash Conversion cycle, Receivable management
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 **Course Overview**

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| 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 module 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.*** |

**Course Learning Outcomes (CLOs)**

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| After undergoing this course, the students will be able to: CLO1: Evaluate and Apply the concept of TVM and Risk & Return in decision making. CLO2: Evaluate and Apply long term and short term investment decisions for effective decision-making.CLO3 Evaluate and Apply financing decisions for effective decision-making.CLO4: Evaluate and Apply dividend decisions for effective decision-making. |

**Programme Outcomes (POs)**

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| The graduates of the Programme will be able to:PO 1. Communicate effectively and display inter-personal skillsPO2. Demonstrate leadership and teamwork towards achievement of organizational goals PO 3. Apply relevant concepts for decision-making in service businesses.PO 4. Develop innovative thinking for effective management of services.PO 5. Demonstrate domain competency in a chosen sector of services industry.PO 6. Appreciate sustainable and ethical business practices.PO 7. Leverage technology for services management.PO 8. Demonstrate capability as an independent learner. |

# Course content on VED Framework

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Vital** | **Essential** | **Desirable** |
| **Module 1****Overview of Financial Management, Goal, Role & Governance of firm** | Introduction to Financial Management, Goal and Scope of Financial Management: Value Maximization vs Profit Maximization,  | Agency theory,Financial Securities, Source of Long term finance | Clause 49 and role of an independent director |
| **Module 2: Time Value of Money** | Concept of risk-return, Measurement of risk and return – Standard deviation and coefficient of variance types of risks, The Relationship between Risk and Rates of Return, Time line and solving for Interest Rate and Time, Future Value of an Annuity, Present Value of an Annuity, Perpetuities, Uneven Cash Flow Streams, Semiannual and Other Compounding Periods | The Cost of Money – Four fundamental factors, Risk in a Portfolio Context, Comparison of Different Types of Interest Rates, Fractional Time Periods, Amortized Loans, Partial Amortization: Balloon Loans | Determinants of Market Interest Rates |
| **Module 3: Investing in Long Term Assets** | Importance of capital budgeting, Generating ideas for capital projects, Project classifications, Conventional and Modern Techniques including ARR, Payback, NPV and IRR, Capital budgeting decision rules | Comparison of the NPV and IRR methods, Estimation of free cash flow | Similarities between capital budgeting and security valuation, Benefit Cost Ratio/ PI, Modified internal rate of return (MIRR) |
| **Module 4: Long Term Financing and Cost of Capital** | Weighted average cost of capital, Cost of debt, Cost of preferred stock, Estimating cost of equity: External and internal, Security Valuation Understand operating, Financial and total leverage and the relationships among them.Describe the types of capital structure, Target Capital Structure, Optimal capital structure,  | Financial Leverage and Shareholders’ Risk & Return and Trade-off | Capital Structure Theories |
| **Module 5: Dividend Decision** | Earnings, Cash flows and Dividend, Dividend relevance and irrelevance, dividend under uncertainty, Factors influencing dividend policy, Types of dividend policies,  | Tax treatment of dividends, Stock split, Stock repurchase, and Understand cash dividend, Stock dividend | Relevance of dividend Policy under market Imperfection, dividend reinvestment plan |
| **Module 6: Working Capital Management** | Understand short term financial management, and the related tradeoff between profitability and risk, Describe the cash conversion cycle, its funding requirements, and the key strategies for managing it. | Significance of Receivable Management | Credit Policy & Credit Monitoring |

Course contents categorized under VED framework as Vital (V) will thoroughly be covered by the instructor in the class. Topics categorized as essential (E) will be briefly covered in the classroom and students are expected to developed their further understanding. Topics falling in the category of Desirable (D) are to be learned in beyond classroom mode, where student will take responsibility of self-learning of the topics relevant to the course under the supervision of the course instructor. Assessment of learning attained from the topics falling under the Beyond Classroom Learning (Desirables) will be through project assignment.

**Mapping of CLOs with Pos**

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|   | PO1 | PO2 | PO3 | PO4 | PO5 | PO6 | PO7 | PO8 |
| CLO 1 |   |   | R\* |   | I\* |   |   |   |
| CLO 2 |   |   | R\* |   | I\* |   |   |   |
| CLO 3 |   |   | R\* |   | I\* |   |   |   |
| CLO4 |   |   | R\* |   | I\* |   |   |   |

\*for course attainment

**Mapping of CLOs with Graduate Attributes (GAs)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **GA 1**Self initiative | **GA 2**Deep discipline knowledge | **GA 3**Critical thinking and problem solving | **GA 4**Humility, team work and leadership skills | **GA 5**Open and clear communication | **GA 6**Global outlook | **GA 7**Ethical competency and sustainable mindset | **GA 8**Entrepreneurial and innovative |
|
|
| **CLO1:** |  | **√** |  |  |  | **√** | **√** |  |
| **CLO2:** |  | **√** | **√** |  |  |  |  | **√** |
| **CLO3:** |  | **√** | **√** |  |  |  |  | **√** |
| **CLO4:** |  | **√** | **√** |  |  |  |  | **√** |

**List of Topics/ Modules**

|  |  |
| --- | --- |
| **Topic/ Module** | **Contents/ Concepts** |
| **Module 1: Overview of Financial Management and Risk – Return Concept** |
| Introduction to Financial Management | * Financial Management and Role of Finance Manager
* Goal of a Firm, Agency Issue, Sources of Long Term Finance, Financial Securities
 |
| **Module 2: Time Value of Money** |
| Risk and Return | * Risk and return relationship
* Risk Preference
* 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
* Growing Annuities
 |
| **Module 3: Investing in Long Term Assets** |
| The Basics of Capital Budgeting  | * Overview of Capital Budgeting
* Pay-Back Period, NPV, IRR
 |
| Techniques of Capital Budgeting  | * Project evaluation
* Comparison NPV,IRR & MIRR
 |
| **Module 4: Long Term Financing and Cost of Capital**  |
| Cost of Capital  | * Estimating cost of various sources of capital
* WACC
* Valuation of securities
 |
| Leverage | * Capital structure and value of firm
* Target capital structure
* Optimal capital structure
 |
| **Module 5: Dividend Decision**  |
| Dividend Policy | * Dividend versus capital Gain: what do investor prefer?
* Dividend Policy Issues, information content/signaling
* Clientele effect
* Establishing dividend policy
* Stock dividends & stocks, stock repurchase
 |
| **Module 6: Working Capital Management** |
| Working Capital Management  | * Current assets investment policies
* Current assets financing policies
* Cash conversion cycle
* Significance of Receivable Management
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**Assessment Criteria**

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| --- | --- | --- | --- |
| **Component** | **Description** | **Weight** | **CLO** |
| Quizzes | There shall be at least two online quizzes, first before mid-term and second post mid-term. Course instructor can take more quizzes than prescribed minimum of two. All quizzes, except surprise quizzes, of a course, should be taken through dashboard. * **Each quiz has to have the question bank and to attempt questions, in proportion of 3:1**
* **Layout of the quiz has to be sequential.**

**Level of difficulty**Basic 20%Intermediate 50%Advance 30%  | 20% | Quiz-I CLO-1 Quiz-II CLO-2 |
| Knowledge | **√** |
| Skill | **√** |
| Attitude | X |
| Project/Assignment | Project assignment will be given to assess the learning based on content falling under *“Topics beyond class room learning”* capturing Essential (E) and Desirable (D) components under VED framework. In order to comply with KSA framework, project task assigned to the students, should focus on skill and attitude parameters, which students would build over knowledge components, under the supervision of course instructor. **Illustration**: Each group will be allotted six companies from an Industry. The data for the assignment is to be collected from the database (Prowess/Ace Equity), for the period of latest five years (April 2014-Mar2018). The assignment will have three parts:**Capital Structure Analysis:** You can analyze the following points with regards to financing pattern:* Is the firm levered or not? (Calculate DOL, DFL, Debt-Equity, Debt-Asset etc)
* Is the firm risky? (Check Solvency ratios, Altman’s Z-Score, etc.)
* What is the average debt level in the company and what is its relative profitability (Use ratios like Debt-Equity, Times Interest Earned, Basic Earning Power, ROE, ROA etc.)
* Is it deriving benefits from Leverage or is suffering losses because of the same

**Dividend Decision:** You can analyze the following points with regards to dividend decision:* What is the liquidity position of a firm and their repayment needs? (Debt, Interest coverage ratio etc.)
* What is the average earning level in the company? (EBIT, Net Income, ROE, ROA etc.)
* Analyze dividend distribution trend of the company (Dividend payout, Dividend Yield, Retained Earning etc )
* Various Corporate actions(cash dividend, Bonus share, stock splits etc.) and its impact on share price, cost of Capital and Market capitalization

**Working Capital Management Analysis:** * Specifically Analyzing its Length of Operating and Cash Conversion Cycle, Required Investment in Working Capital Vs. Actual Investment
* Separately analyzing Inventory period, Average Collection Period and Payables Period.
* Seasonal Vs. Permanent requirement of Working Capital (Based on the nature of Industry and data)
* Sources of Working Capital Finance
 | 20% | CLO-2CLO-3 CLO-4 |
| Knowledge | X |
| Skill | **√** |
| Attitude | **√** |
| Knowledge | **√** |
| Skill | X |
| Attitude | **√** |
| Case Analysis/Assignment | Students will be given case/situation and will solve in the class itself | 20% | CLO-1  |
| Knowledge | **√** |
| Skill | **√** |
| Attitude | X |
| End Term Examination | Will cover entire syllabus | 40% | CLO-2CLO-3CLO-4 |
| Knowledge | **√** |
| Skill | **√** |
| Attitude | X |
| **Total** |  | **100%** |  |

**Recommended/ Reference Text Books and Resources**

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| **Text Book:**Parrino, R., & Kidwell, D. (2015). *Fundamentals of Corporate Finance.* New Delhi: Wiley India Edition.**Suggested reference books:*** Brealey, R. A., Myers, S. C., Allen, F., & Mohanty, P. (2012). *Principles of Corporate Finance.* New Delhi: Tata McGraw- Hill.
* Brigham, E. F., & Houston, J. F. (2004). *Fundamental of Financial Management* (10th 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.
* Bodhanwala, R. J. (2009). *Financial Management Using Excel Spreadsheet.* New Delhi: Taxmann Publication.
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**Session Plan**

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| --- | --- | --- | --- | --- | --- |
| **Session** | **Topic** | **Session Objective / LO** | **Reading/References** | **Pedagogy** | **Assessment** |
| **Module 1 : Overview of Financial Management and Risk-Return Concepts** |
| **1** | **Overview of Financial Management**Introduction to Financial Management, scope of financial management, goal of financial management, finance and other function | **Text Book** | Prescribed text book/ reference books/ web resources |
| **Reading** |  |
| **Pedagogy:** Class discussion / warm up case / video**Session Plan** | A warm up quiz based on MCQ to be conducted to check the learners’ prerequisite knowledgeReference of the first chapter of prescribed book to be madeA brief talk or classroom discussion to bring out the clear distinction between Accountancy and Financial Management will help in setting the momentum A reference of career opportunities in the field of finance, and what it takes, will not be out of place |
| **CLO** | **CLO1** |
| **SLO** | * Execute a quiz to test prior knowledge of students.
* Give general introduction on the course.
* Scope of financial management, goal of financial management, finance and other function
 |
| **Assessment**  | Quiz Assignment Mid-term End-term |
| **2** | **Role of CFO and Agency Problem**The Goals of the Corporate firm: value maximization vs. profit maximization, Important Decisions taken by CFO,Financial Securities & Sources of Long Term FinanceAgency Theory, Corporate Governance  | **Text Book** | Prescribed text book/ reference books/ web resources |
| **Reading** |  |
| **Pedagogy:** Discussion / case based on relevant news / Moodle upload on Clause 49 and role of independent director**Session Plan** | Discussion on stakeholders, how cash flow is better measure of economic performance than book profit will generate the interest of learners. An illustrative example based on it will be very effective.Reference of the first chapter of prescribed book to be madeUse corporate organizational chart to explain the position of CFO in any big joint stock company, his roles and responsibilities, and key decisions taken by him, Initiate the discussion in the class about the sources of long term finance and financial securitiesSarbanes Oxley reforms and other its Indian counterpart in form of Clause 49, and Role of Independent Director |
| **CLO** | **CLO1** |
| **SLO** | * Make students learn about forms of business organization, role of finance manager and fundamental decisions in Financial Management
* Understand the role and responsibilities of finance managers
* Understanding agency conflicts: separation of ownership and control
 |
| **Assessment** | Quiz Assignment Mid-term End-term |
| **3** | **Concept and Measurement of Risk and Return**Concept of risk-return, measurement of risk and return, types of risk | **Text Book** | Prescribed text book/ reference books/ web resources |
| **Reading** |  |
| **Pedagogy :** On board calculation/ spread sheet application**Session Plan** | Refer to the relevant chapter in the prescribed text booksBuilding on and challenging intuition amongst students on following :  *“ Higher return is expected with more risk”*Explain with help of illustration the holding period return and expected return Make learn the computation of variance and standard deviation |
| **CLO** |  **CLO2**  |
| **SLO** | * Factors influencing market rate risk
* Understanding stand-alone risk
* Measure risk and return and explain the tradeoff between them
 |
| **Assessment**  | Quiz Assignment Mid-term End-term |
| **4** | **Diversification of Risk** Risk in a Portfolio Context, The Relationship between Risk and Rates of Return | **Text Book** | Prescribed text book/ reference books/ web resources |
| **Reading** |  |
| **Pedagogy:** Discussion/spread sheet**Session Plan** | Interpret the variance and standard deviationThe Relationship between Risk and Rates of ReturnIntroduce the concept of systemic and unsystematic risk, use *graph* to explain the behavior of portfolio risk against the varying number of stocks in the portfolio, to explain the diversification of unsystematic riskInstructor can steer the discussion (discussion forum) in class about  *“Compensation for bearing systematic risk”* Learners should be warm up to the concept of beta and CAPMExplain Volatility versus Risk, use spreadsheet for calculating Beta Coefficients |
| **CLO** | **CLO** |
| **SLO** | * Interpreting Variance, Standard deviation and Coefficient of Variation
* Risk and diversification
* Understanding diversifiable and non-diversifiable risk
* Distinguish between Systematic Risk and nonsystematic risk
 |
| **Assessment**  | Quiz Assignment Mid-term End-term |
| **Module 2 : Time Value of Money** |
| **5** | **Time Value of Money*** Times Lines, Future Value, Present Value
* The Power of Compound Interest
 | **Text Book** | Prescribed text book/ reference books/ web resources |
| **Reading** |  |
| **Pedagogy:** Numerical Exercise with spread sheet application**Session** | Instructor can begin with explaining the calculation for the future value of with single payments, as well as Present value of single payment with the help of time line. Use numerical exercises to explain the concept of compounding and discounting and their associationOnce done instructor shall move to demonstrate/ exhibit the calculation of present values of ordinary annuities, annuities due, perpetuities and uneven cash flows streams. Similarly, future values of various types of cash flows to be Some hands on, class room exercises based on computation of PV and FV of various types of cash flows to be administered to the studentsAs TVM is the single most important concept of finance and will be used to find the value of stocks , bonds and capital budgeting projects etc., instructor must ensure that all students are onboard  |
| **CLO** | **CLO** |
| **SLO** | To understand concept of PV and FV To compute PV and FV of different types of cash flows using time line  |
| **Assessment**  | Quiz Assignment Mid-term End-term |
| **6** | **Time Value of Money*** Future Value of an Annuity, Present Value of an Annuity, Perpetuities
* Uneven Cash Flow Streams
 | **Text Book** | Prescribed text book/ reference books/ web resources |
| **Reading** |  |
| **Pedagogy:** Numerical Exercise with spread sheet application | Instructor shall deal with the problems involving calculation of PV and FV of uneven cash flows, different compounding periods and with different discounting and compounding rates. Building on and challenging intuition amongst students on following: *“Higher discounting rates results into smaller PVs,” and “Higher compounding rates leads to bigger FVs”.* Instructor shall explain, how to use Annuity tables for solving TVM problems, as well as manually calculating annuity factorsAs TVM is the single most important concept of finance and will be used to find the value of stocks, bonds and capital budgeting projects etc., instructor must ensure that all students are onboard |
| **CLO** | **CLO** |
| **SLO** | Using annuity tables for solving TVM problems To develop computational skill to solve TVM problems involving uneven cash flows, different compounding periods, and varying interest rates. |
| **Assessment**  | Quiz Assignment Mid-term End-term |
| **7** | **Time Value** of **Money**Semiannual and Other Compounding PeriodsDifferent Types of Interest Rates, Fractional Time Periods  | **Text Book** | Prescribed text book/ reference books/ web resources |
| **Reading** |  |
| **Pedagogy:** Numerical Exercise with spread sheet application | Instructor shall deal with the problems involving calculation of PV and FV of uneven cash flows, different compounding periods and with different discounting and compounding rates. Building on and challenging intuition amongst students on following: *“Higher discounting rates results into smaller PVs,” and “Higher compounding rates leads to bigger FVs”.* Instructor shall explain, how to use Annuity tables for solving TVM problems, as well as manually calculating annuity factorsAs TVM is the single most important concept of finance and will be used to find the value of stocks, bonds and capital budgeting projects etc., instructor must ensure that all students are onboard |
| **CLO** | **CLO** |
| **SLO** | Understand and apply the concept of TVM in Business situation and personal financial planning Using Spread sheet to solve TVM problems |
| **Assessment**  | Quiz Assignment Mid-term End-term |
| **8** | **Time Value** of **Money**Application of TVM concept in solving Business personal finance problems: Amortized Loans | **Text Book** |  |
| **Readings** |  |
| **Pedagogy:** Numerical Exercise with spread sheet applicationMoodle upload on Partial Amortization: Balloon Loans**Case study analysis** | Demonstrate real life applications of the concept of TVM using MS Excel, some suggestion are given belowLoan amortization / Debenture redemption Retirement planning / Endowment funds Planning for purchase of Capital assets / Children education Instructors dealing with real life financial situations in class, is bound to create natural interest and generate curiosity amongst the pupil Instructors can use appropriate case studies, to explain the application of TVMUnderstand and apply the concept of TVM in Business situation and personal financial planning Using Spread sheet to solve TVM problems |
|  |  |  **SLO** | Understand and apply the concept of TVM in Business situation and personal financial planning Using Spread sheet to solve TVM problems |
|  |  | **Assessment**  | Quiz Assignment Mid-term End-term |
| **Module 3: Investing in long term assets** |
| **9** | **The Basics of Capital Budgeting**Importance of capital budgeting, Generating ideas for capital projects, Project classifications | **Text Book** | Prescribed text book/ reference books/ web resources |
| **Reading** |  |
| **Pedagogy:** Discussion/ case analysis | * Initiate a discussion in the class, why capital budgeting decisions are the most important investment decisions made by a firm’s management
* A case based on capital budgeting decision need to introduced in the class and discussed – e.g. *Panama Canal/ Balarampur Chini Mills*
* Class to be briefed about the discounting and non-discounting techniques used capital budgeting situation
 |
| **CLO** | **CLO1**,  |
| **SLO** | At the end of this lesson students will be able to: * Understand why capital expenditure decisions are one of the most important decision taken by financial manager
* Learn discounting and non-discounting techniques used for decision making in capital budgeting situation
* Appreciate why discounting techniques for capital budgeting decision making, is superior than non-discounting techniques
 |
| **Assessment**  | Quiz Assignment End-term |
| **10** | **Techniques of Capital Budgeting**Conventional and Modern Techniques including ARR, Payback, NPV and Benefit Cost Ratio | **Text Book** | Prescribed text book/ reference books/ web resources |
| **Reading** |  |
| **Pedagogy :** On board numerical computations/ spread sheet | * Class to be briefed about the discounting and non-discounting techniques used capital budgeting situation
* Instructor to explain about the advantages and disadvantages about discounting and non-discounting techniques and why Accounting rate of return ( ARR) is not recommended as capital expenditure decision making tool
* Demonstrate the project selection on the basis of Pay-back period method
 |
| **CLO** | **CLO1**,  |
| **SLO** | At the end of this lesson students will be able to: * Apply capital budgeting techniques for evaluating long term investment decision
* Find internal rate of return of any new project under consideration
* Appreciate the situation when IRR and NPV gives conflicting results
 |
| **Assessment**  | Quiz Assignment End-term |
| **11** | **Techniques of Capital Budgeting**Internal Rate of Return , Profitability Index and Modified Internal Rate of ReturnCapital budgeting decision rules | **Text Book** | Prescribed text book/ reference books/ web resources |
| **Reading** |  |
| **Pedagogy**: Discussion , numerical computations using board/spread sheet | Refer to the relevant chapter in the prescribed text books |
| **CLO** | **CLO1**,  |
| **SLO** | At the end of this lesson students will be able to: * Apply capital budgeting techniques for evaluating long term investment decision
* Find internal rate of return of any new project under consideration
* Appreciate the situation when IRR and NPV gives conflicting results
 |
| **Assessment**  | Quiz Assignment End-term |
| **12** | **Techniques of Capital Budgeting*** An overview of free cash flows
* Comparison of the NPV, IRR methods and Modified internal rate of return (MIRR)
 | **Text Book** | Prescribed text book/ reference books/ web resources |
| **Reading** |  |
| **Pedagogy:** Discussion along with numerical computations using board/spread sheet. Integrated case, involving numerical computations using board/spread sheet | * Instructor to explain the concept of calculation
* By taking an appropriate example compute the IRR for a capital project, and discuss the conditions under which the IRR technique and NPV technique produce different result
* Explain with the help of appropriate graph the concept of *NPV profiling and concept of crossover rate* and decision criterion in case of conflicting result given by NPV and IRR techniques
 |
| **CLO** |  |
| **SLO** | At the end of this lesson students will be able to: * Understand the significance of incremental cash flow in context of capital expenditure decision situation
* Able to find incremental after tax free cash flow
* Understand the concept of Equivalent Annual Cost
* Apply capital budgeting techniques for evaluating long term investment decision
* Find internal rate of return of any new project under consideration
* Appreciate the situation when IRR and NPV gives conflicting results
 |
| **Assessment**  | Quiz Assignment End-term |
| **Module 4 : Long Term Financing and Cost of Capital** |
| **13 and 14** | **Cost of Capital**The concept of the weighted average cost of capital, cost of debt, cost of preferred stock | **Text Book** | Prescribed text book/ reference books/ web resources |
| **Reading** |  |
| **Pedagogy :** Concept building through discussion on computation of Cost of Capital of a listedcompany | * Steer the class by asking their understanding about cost of capital and why a finance head need to know the cost of capital.
* Probe the class with critical thinking question like *“Is investors expected rate of return is same as the cost of capital to CFO”*
* Explain to the class the concept of weighted average cost of capital (WACC) for a firm and why it is often used as a discount rate to evaluate projects.
 |
| **CLO** |  |
| **SLO** | At the end of this lesson students will be able to: * Estimate cost of various sources of capital and
* Find the weighted average cost of capital
 |
| **Assessment**  | Quiz Assignment End-term |
| **Mid Term Examination/Case Analysis/Assignment** |
| **15** | **Cost of Capital**Estimating cost of equity : both External and internal both, Cost of debtAn overview on Valuation of securities | **Text Book** | Prescribed text book/ reference books/ web resources |
| **Reading** |  |
| **Pedagogy :** Discussion/Case study AnalysisSession Plan | * Show with a help of an example how to calculate the cost of debt for a firm
* Explain why the required rate of return on a firm’s asset must be equal to the weighted average cost of capital associated with its liabilities and equity.
* Describe why it is not appropriate to use the coupon rate on a firm’s bonds to estimate the pretax cost of debt for the firm.
* Instructor to explain the computation of cost of common stock using CAPM method as well as using dividend growth model, using appropriate examples
* Instructor to explain the computation of cost of preferred stock using appropriate example
* Demonstrate the computation of WACC for a firm, and explain to the class about the limitation of using a firm’s WACC as a discounting rate when evaluating a project. Also discuss the alternatives that are available.
* Instructor to demonstrate the computation of valuation of debentures , preference share and equity shares
 |
| **CLO** |  |
| **SLO** | At the end of this lesson students will be able to: * Estimate cost of equity stock using CAPM
* Appreciate the issues in computing WACC
 |
| **Assessment**  | Quiz Assignment End-term |
| **16** | **Leverage**Understand operating, financial and total leverage and the relationships among them. | **Text Book** | Prescribed text book/ reference books/ web resources |
| **Reading** |  |
| **Pedagogy:** Case study analysis focused on leverage | * Warm up the class by explaining what is meant by “leverage” in terms of capital structure of any firm? What tempts a finance manager to use more and more debt in the capital structure and where a line needs to be drawn?
* Instructor to use appropriate example to explain and demonstrate how variable costs and fixed costs affect the volatility of pre- tax operating cash flows and accounting operating profit
 |
| **CLO** |  |
| **SLO** | At the end of this lesson students will be able to: * Understand the concept of leverage and its impact on decision making
* Evaluate how variable costs and fixed costs affect the volatility of pre-tax operating cash flows
 |
| **Assessment**  | Quiz Assignment End-term |
| **17** | **Leverage**Financial Leverage and Shareholders’ Risk & Return and Trade-offEBIT- EPS analysis | **Text Book** | Prescribed text book/ reference books/ web resources |
| **Reading** |  |
| **Pedagogy:** discussion/ computation | * Calculate and distinguish between the degree of pre-tax cash flow operating leverage and the degree of accounting operating leverage
* Define and calculate the pre- tax operating cash flow and accounting operating profit break even points and the crossover level of unit sales for a project
 |
| **CLO** |  |
| **SLO** | At the end of this lesson students will be able to: * Understand the concept of leverage and its impact on decision making
* Evaluate how variable costs and fixed costs affect the volatility of pre-tax operating cash flows
 |
| **Assessment**  | Quiz Assignment End-term |
| **18** | **Firm’s capital structure**Describe capital structure,Target Capital StructureDescribe and estimate the Optimal capital structure | **Text Book** |  |
| **Reading** |  |
| **Pedagogy: Discussion** | * Warm up the class by asking up the basic question whether choice of financing of firm’s capital, can create value for its shareholders
* Brief the class about the concept of optimal capital structure and its impact on the firm’s valuation
* Describe the benefits and cost of using debt financing.
* Also touch upon the impact of increasing leverage on the cost of equity
* Explain the trade – off and pecking order theories of capital structure choice, and explain what the empirical evidence tells us about these theories
* Reflect upon the practical considerations in choosing a capital structure
 |
| **CLO** |  |
| **SLO** | At the end of this lesson students will be able to: * Understand the considerations while deciding upon the capital structure
* Analyze the relationship between capital structure and value of firm
 |
| **Assessment**  | Quiz Assignment End-term |
| **Module 5: Dividend Decisions** |
| **19** | **Dividend Fundamentals*** Earnings, cash flows and Dividend;
* Overview on Dividend relevance and irrelevance; dividend under uncertainty
* Factors influencing dividend policy, Types of dividend policies,
* Relevance of dividend Policy under market Imperfection
 | **Text Book** | Prescribed text book/ reference books/ web resources |
| **Reading** |  |
| **Pedagogy lecture/ analysis of relevant news from industry** | * Probe students by asking the moot question “what they understand by dividend” and *“why profit distribution decision is one of the fundamental decisions taken by CFO of any company”.*
* Instructor to explain what is dividend , what are the different types of dividend and what is the dividend payment process
* Brief the students about declaration date, ex- dividend date, the record date, and the payable date.
* Instructor to explain the benefits and cost associated with
* dividend payments and compare the relative advantages and disadvantages of dividends and stock repurchases
* A brief discussion on dividend paid by Indian companies and its taxability to be carried out in the class
 |
| **CLO** |  |
| **SLO** | At the end of this lesson students will be able to: * Understand the meaning of dividend , types of dividend and the process of distribution of dividend
* Appreciate the decisions concerning whether to distribute value to stockholders, how much to distribute and how best to distribute it.
* Dividend Fundamentals
* Dividend Policy
* Factors affecting dividend policy; types of dividend policies
 |
| **Assessment**  | Quiz Assignment End-term |
| **20** | **Methods of Rewarding Shareholders - Forms of Dividend** Understand cash dividend, stockdividend, tax treatment of dividends, stock split, stock repurchase and dividend reinvestment plan | **Text Book** | Prescribed text book/ reference books/ web resources |
| **Reading** |  |
| **Pedagogy : lecture/ discussion/ relevant news analysis** | * Initiate the discussion on the forms of dividends corporate choose to pay and rationale behind
* Explain about stock repurchase and the process followed by companies to repurchase their stock
* Building Intuition : *Dividends reduces the stock holders’ investment in a firm*
 |
| **CLO** |  |
| **SLO** | Understand cash dividend, stock dividend, tax treatment of dividends, stock split and stock repurchase. |
| **Assessment**  | Quiz Assignment End-term |
| **Module 6: Working Capital Management**  |
| **21** | **Working capital fundamentals**Understand short term financial management, and the related tradeoff between profitability and liquidity | **Text Book** | Prescribed text book/ reference books/ web resources |
| **Reading** |  |
| **Pedagogy : lecture / discussion** | * Start with a brief discussion on relationship between liquidity and profitability and see whether students can work out right relationship
 |
| **CLO** |  |
| **SLO** | At the end of this lesson students will be able to: * Understand Working capital fundamentals
* Understand short term financial management, and the related tradeoff between profitability and risk
* Learn the importance of working capital in any firm
* Analyse the amount and the mix of current asset the firm should hold.
* Understand how the current assets be financed
 |
| **Assessment**  | Quiz Assignment End-term |
| **22** | **Operating Cycle/Cash Conversion Cycle**Describe the cash conversion cycle, its funding requirements, and the key strategies for managing it. | **Text Book** | Prescribed text book/ reference books/ web resources  |
| **Reading** |  |
| **Pedagogy: lecture/ discussion** | * Define cash conversion cycle and operating cycles, explain how they are used and be able to compute their values for a firm
* Explain the investment strategies in current assets and discuss the relative advantages and disadvantages of pursuing flexible / restrictive current asset investment strategies
* Give hands on exercise in the class requiring computation of cash conversion cycle
 |
| **CLO** |  |
| **SLO** | At the end of this lesson students will be able to: * Understand the meaning of cash conversion cycle
* Appreciate the relationship between length of Cash Conversion Cycle and amount of capital a firm needs to finance its working capital
 |
| **Assessment**  | Quiz Assignment End-term |
| **23** | **WORKING CAPITAL MANAGEMENT**: ACCOUNTS RECEIVABLE * Terms of Sale
* Aging Accounts Receivable
 | **Text Book** | Prescribed text book/ reference books/ web resources |
| **Reading** |  |
| **Pedagogy: lecture/ discussion** | Discuss the relative advantages and disadvantages of pursuing 1. ﬂexible and (2) restrictive current asset management strategies.

Explain how accounts receivable are created and managed, and compute the cost of trade credit. |
| **CLO** |  |
| **SLO** |  |
| **Assessment**  |  |
| **24** | **FINANCING WORKING CAPITAL*** Strategies for Financing Working Capital
* Financing Working Capital in Practice
* Sources of Short-Term Financing
 | **Text Book** | Prescribed text book/ reference books/ web resources |
| **Reading** |  |
| **Pedagogy: lecture/ discussion** | Describe three current asset ﬁnancing strategies and discuss the main sources of short-term ﬁnancing. |
| **CLO** |  |
| **SLO** |  |
| **Assessment**  |  |

**Instructions:**

Students will be expected to maintain a daily log of their learning and make an action plan. The continuous evaluation tools would be implemented as per schedule and collected for evaluation.

Students are encouraged to visit videos available on Impartus, you tube etc.

Students will be expected to go through the annual reports of the companies chosen by them for their project work.

**Time budgeting in course planning:**

The table below is an example of the suggested time allocations for this course.

|  |  |  |
| --- | --- | --- |
| Classes  | 2-3 hours per week for 12 weeks |  30 hours |
| Reading | Prescribed readings and making notes |  20 hours |
| Preparation of set questions, exercises and problems | Provided in the book  |  20 hours |
| Preparation of Project (including the Viva) | Analysing and writing |  20 hours |
| Study and revision for test and end of Trimester examination | Self-preparations |  15 hours |
| TOTAL |  | 105 hours |

**Institute’s Policy Statements**

The student is required to have a clear comprehension of the specific details included in this document. This course requires a significant commitment in and outside classroom. The learning tasks in this course include class discussions, exercises & problems and self-study. In addition, students are required to complete the various assignments/projects.

**LMS-Moodle/Impartus**

LMS-Moodle/ Impartus is used to host course resources for all courses. Students can download lecture, additional reading materials, and tutorial notes to support class participation.

**Late Submission**

Assessment tasks submitted after the due date, without prior approval/arrangement, will be not be accepted. Requests for extension of time must be made with the faculty member concerned and based on Special Consideration guidelines.

**Plagiarism**

Plagiarism is looked at as the presentation of the expressed thought or work of another person as though it is one's own without properly acknowledging that person.

Cases of plagiarism will be dealt with according to Plagiarism Policy of the institute. It is advisable that students should read Section …. Of Student Handbook for detailed guidelines. It is also advisable that students must not allow other students to copy their work and must take care to safeguard against this happening. In cases of copying, normally all students involved will be penalized equally; an exception can be made if a student can demonstrate the work as their own and reasonable care was exercised to safeguard against copying.

**Prepared by Reviewed by Approved by**

**(Name of Faculty) (Program Director/Dean (A) (Director)**