

INTERNATIONAL MANAGEMENT INSTITUTE, BHUBANESWAR  
COURSE NAME : FINANCIAL MANAGEMENT –II  
CREDIT : 3 CREDIT

SESSION DURATION : 90 MINUTES

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**Course Introduction:**

Every business decision has a financial implication. Managing finance is at the core of business success. The goal and the test of financial management ( also called corporate finance) is maximization of stakeholders' wealth. In FM -1 the course participants got the fundamental concepts and lessons with regard to time value of money, capital budgeting and capital structure decision leading to value creation. Going forward FM 2 discusses various equity valuation methodologies including concept like EVA (Economic Value Added), VBM (Value based Management) Distribution Policy, lease, working capital management and derivatives fundamentals. The course is very technical in nature. The students are hence advised to be regular and consistent in interacting with the faculty in the classes.

**Course Objective**

1. To further build on the concepts learnt in FM 1
2. Distribution decisions leading to sustaining and enhancing corporate value.
3. Valuation techniques.
4. Understanding and awareness as to financial products (Value additive and risk mitigating), finance markets and institutions;

**Pedagogy**

The course will be taught with a combination of class lectures, problem solving, project works and situation analyses. Contents and tentative sessions plan:

**Readings:**

Text book

Text book

1. *Financial Management* by Brigham, E. F. and Ehrhardt, M. C., Cengage Learning, Latest India Edition.

Reference book

2. *Corporate Finance* by Ross, Westerfield, Jaffe and Kakani 8<sup>th</sup> or 10<sup>th</sup> edition

**Evaluation Criteria (%)**

|                             |            |
|-----------------------------|------------|
| Quizzes (Best 2 out of 3)   | 10         |
| Assignment / Project Report | 20         |
| Mid-term Exam               | 30         |
| End-term Exam               | 40         |
| <b>Total</b>                | <b>100</b> |

**Session Plan**

| Session | Topic   | Text Book chapters    |
|---------|---|-----------------------|
| 1 -2    | Stocks and stock valuation, models of valuation- dividend discount model, DCF model, Relative Valuation model   | Chapter 8, Chapter 15 |
| 3-5     | Financial Statement Analysis and forecasting financial statement for valuation  | Chapter 14            |
| 6-7     | Basics of Dividend Policy and Decisions: What is Dividend? How is it paid? Cash Dividend, stock Dividend (Bonus Issue) Impact of dividend payment on the value of shares; Dividend Irrelevance Theorem. Signaling Hypothesis of Dividend , Agency Issue of Free Cash Flow | Chapter 18            |
| 8 and 9 | Lease Financing concepts.<br>a) Operating Lease, b) Financing Lease and c) Lease or buy decisions   | Chapter 20            |
| 10-12   | Working Capital Management<br>a) Reasons for holding cash<br>b) Cash management<br>c) Debtors Management<br>d) Inventory Management   | Chapter 22            |

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|  | e) Payable Management<br>f) Bank finance for working capital |  |
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| Session | Topic  |                  |
|---------|--|------------------|
| 13 & 14 | Financing and Valuation. How does debt policy impact valuation ? Adjusted Present Value Approach (APV), comparison between DCF and APV metod   | Chapter 25       |
| 15 & 16 | Merger and Acquisition (M&A). Valuing M&A  | Chapter 25       |
| 17 & 18 | Derivatives and Risk Management - Fundamentals   | Chapter 9 and 23 |
| 19      | Recent Development in Corporate Finance, Agency Theory, Role of Corporate Governance in Finance like better the governance lower the cost of capital and so on ( Gist from Misc. Articles and Cases) | -----            |
| 20      | Summing Up   |                  |

**Requirement : Students must bring calculator and prescribed text book in each and every class**