

**INTERNATIONAL MANAGEMENT INSTITUTE, BHUBANESWAR**  
**FN501: Financial Management I**  
**PGDM**  
**Term II Academic Year 2014-2015**  
**CREDIT: Full (3 credits)**  
**SESSION DURATION: 90 Minutes**

Instructor(s): Prashant Gupta & Padmini Jindal  
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**Course Introduction:** To communicate and understand the relevance of Financial Management with focus on Capital Budgeting including Investment Decisions and Cost of Capital. The role of the Finance Manager becomes critical since he has to allocate scarce financial resources among various Projects. The sound knowledge of financial management techniques will enable him to meet this challenge successfully.

**Course objectives:** The students should understand and familiarise with:

- Understanding scope of financial management and role of finance manager
- Financial evaluation of capital projects.
- Sources of long term finance.
- Valuation of bonds and common stocks.
- Analysis of financial statements.

**Course Pedagogy:**

The framework of learning will be through classroom lectures, powerpoint presentations and exercises in the class.

**Course Readings:**

Text book

1. Brigham, E. F. and Ehrhardt, M. C., (2012), *Financial Management*, Cengage Learning, India Edition.

Reference book

1. Pandey, I. M., (2011), *Financial Management*, Vikas Publishing House, 10th 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 No.	Topics	Reading from Text Book	Instructor
1-2	<b>Overview of Financial Management Function</b> <ul style="list-style-type: none"> <li>• Nature of Finance and its interaction with other management functions</li> <li>• Shareholders' wealth maximization as the Objective of a Business Organisation</li> <li>• Agency Conflict</li> <li>• Financial Decision Areas</li> <li>• Financial Statement analysis</li> </ul>	Brigham: Ch. 1	Prashant Gupta
3-4	<b>Long Term Sources of Finance</b> <ul style="list-style-type: none"> <li>• Equity V/s Preference Shares</li> <li>• Debt</li> <li>• Loans</li> <li>• Overseas financing (GDRs and International Bonds)</li> <li>• Lease (Concept and Types)</li> </ul>	Brigham: Ch. 20	Prashant Gupta
5-6	<b>Estimation of Cost of Capital</b> <ul style="list-style-type: none"> <li>• Measurement of Specific Cost of debt &amp; Equity</li> <li>• Cost of Preference Shares and Retained Earnings</li> <li>• Weighted Average Cost of Capital</li> </ul>	Brigham: Ch. 9	Prashant Gupta
7-9	<b>Capital Structure Concept and Theories</b> <ul style="list-style-type: none"> <li>• Traditional Theory</li> <li>• Modigillani &amp; Miller</li> <li>• Arbitrage Argument</li> <li>• Signaling</li> <li>• Pecking Order</li> </ul> <b>Capital Structure Planning</b> <ul style="list-style-type: none"> <li>• EBIT-EPS Analysis</li> <li>• Arrive at suitable capital structure (Optimal Capital Structure)</li> <li>• Agency Theory</li> <li>• Leverage: Financial &amp; Operating Leverage</li> </ul>	Brigham: Ch. 16, 17	Prashant Gupta
10-11	<b>Time Value of Money</b> <ul style="list-style-type: none"> <li>• Time Lines</li> <li>• Future Value &amp; Present Value</li> <li>• Annuities</li> <li>• Amortized Loans</li> </ul>	Brigham: Ch. 2	Padmini Jindal
12-13	<b>Risk and Return</b> <ul style="list-style-type: none"> <li>• Investment Returns</li> <li>• Stand-Alone Risk</li> <li>• Risk in a Portfolio</li> <li>• Calculating Beta Coefficients</li> </ul>	Brigham: Ch. 4	Padmini Jindal
14	<b>Bonds and their Valuation</b> <ul style="list-style-type: none"> <li>• Key Characteristics of Bonds</li> </ul>	Brigham: Ch. 6	Padmini Jindal

	<ul style="list-style-type: none"> <li>• Bond Valuation</li> <li>• Bond Yields</li> <li>• Bonds with Semiannual Coupons</li> </ul>		
15-16	<b>Stocks and their Valuation</b> <ul style="list-style-type: none"> <li>• Types of Common Stock</li> <li>• Market for Common Stock</li> <li>• Common Stock Valuation</li> </ul>	Brigham: Ch. 7	Padmini Jindal
17-19	<b>Capital Budgeting</b> <ul style="list-style-type: none"> <li>• Project Classifications</li> <li>• Capital Budgeting Decision Rules</li> <li>• Comparison of NPV and IRR Methods</li> <li>• Modified Internal Rate of Return (MIRR)</li> <li>• Project Risk Analysis</li> <li>• Decision Trees</li> </ul>	Brigham: Ch. 10, 11	Padmini Jindal
20	<b>Review of the Course</b>	Prashant Gupta /Padmini Jindal	