

**INTERNATIONAL MANAGEMENT INSTITUTE, BHUBANESWAR**  
**FN501: Financial Management I**  
**PGDM 2015-17 Term II**  
**CREDIT: Full (3 credits)**  
**SESSION DURATION: 90 Minutes**

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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 (2)                    | 20         |
| Class Presentation/ Assignment | 10         |
| Mid-term Exam                  | 30         |
| End-term Exam                  | 40         |
| <b>Total</b>                   | <b>100</b> |

### Session Plan

| Session No. | Topics  | Reading from Text Book |
|-------------|---|------------------------|
| 1-2         | <b>Overview of Financial Management &amp; Financial Environment</b> <ul style="list-style-type: none"> <li>Primary objective of the corporation: Value maximization</li> <li>Financial markets</li> <li>Financial institutions</li> <li>Cost of money and interest rate levels</li> </ul> | Brigham: Ch. 1         |
| 3           | <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         |
| 4-6         | <b>Analysis of Financial Statements</b> <ul style="list-style-type: none"> <li>Ratio analysis</li> <li>Liquidity ratios</li> <li>Asset management ratios</li> <li>Debt management ratios</li> <li>Profitability ratios</li> <li>Market value ratios</li> </ul>                            | Brigham: Ch. 4         |
| 6           | <b>Quiz-1</b>   |                        |
| 7-8         | <b>Bonds and their Valuation</b> <ul style="list-style-type: none"> <li>Key Characteristics of Bonds</li> <li>Bond Valuation</li> <li>Bond Yields</li> <li>Bonds with Semiannual Coupons</li> </ul>   | Brigham: Ch. 5         |
| 9-10        | <b>Presentations</b>  |                        |
| 11-12       | <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. 6         |
| 13-14       | <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. 8         |
| 15          | <b>Quiz-2</b>   |                        |
| 15-16       | <b>The 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. 10        |
| 17-18       | <b>Capital Budgeting</b>  | Brigham: Ch. 11 & 12   |

|       |  |  |
|-------|--|--|
|       | <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> |  |
| 19-20 | <b>Presentations &amp; Review of the Course</b>  |  |