

**INTERNATIONAL MANAGEMENT INSTITUTE, BHUBANESWAR**  
**FN501: FINANCIAL MANAGEMENT-I**  
**CREDIT: 2 CREDITS**  
**SESSION DURATION: 60 Minutes**

Term: II  
Year: 2018-19

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**Course Introduction:** To communicate and develop an understanding of the corporate financial management concepts and their application in real business situations. The focus will be on clear understanding of the criticality of corporate finance for long term sustainability. A clear understanding of implications of financial management decisions on company valuation is essential. This course familiarises the students to the various complexities of corporate finance, agency conflicts and financial planning.

**Learning Outcomes:** The students should understand and familiarise with:

1. Ability to take capital budgeting decisions.
2. Various aspects of rewarding the shareholders.
3. Basic understanding of finance functions.

**Course Pedagogy:** The framework of learning will be through classroom lectures, cases and exercises in the class.

**Learning Outcome:**

LO1: Exposure to basic corporate functions

LO2: Undertake independent evaluation of key financial decisions  
Using time value concepts

LO3: Develop an understanding of financial markets and its participants

**Course Readings:**

**Text:**

Corporate Finance – Ross, Westerfield, *TMH* (RW)

Financial Management & Policy – Horne and Dhamija, *Pearson* (HD)

**References:**

Financial Management: Theory & Practice – Brigham and Erhardt (BE)

**Course Evaluation Criteria:**

Quiz (2 quizzes of 10 marks each)	20%
Mid Term Exam	20%
End Term Exam	40%
Assignments	20% (Average will be considered)

## Session Plan

Session No.	Topic	Learning Outcomes	Reading
1-3	<b>Introduction to Time Value of Money</b> <ul style="list-style-type: none"> <li>• Finance functions – LT &amp; ST Finance decisions</li> <li>• Profit Vs Wealth maximisation</li> <li>• Required rate of return</li> <li>• Future Value and Present value concept</li> <li>• FV and PV of cash flows – single period, multi period and annuity</li> <li>• Preparing loan amortisation schedule</li> </ul>	LO1	RW Chapter 1, 4
4-6	<b>Cost of capital</b> <ul style="list-style-type: none"> <li>• Cost of debt capital</li> <li>• Cost of equity capital using CAPM, Dividend growth model, PE ratios</li> <li>• Use of CAPM to calculate cost of equity</li> </ul>	LO1	HD, Chapter 10
7-9	<b>Capital Budgeting Decisions</b> <ul style="list-style-type: none"> <li>• Meaning and importance</li> <li>• Why companies invest?</li> <li>• Techniques of project appraisal – NPV, IRR, ARR, PI</li> <li>• Problem of multiple IRR</li> </ul>	LO1, LO2	RW, Chapter 6,7 HD, Chapter 8
10-11	<b>Long Term Financing</b> <ul style="list-style-type: none"> <li>• Equity financing – IPOs, FPOs, Underwriting, Rights issue</li> <li>• Debentures – Features, types, amortisation</li> <li>• Term loans</li> <li>• Leases</li> </ul>	LO1	HD, Chapter 20, 21
	<b>QUIZ I</b>		
12-14	<b>Corporate Financing Decisions</b> <ul style="list-style-type: none"> <li>• Efficient capital markets</li> <li>• Forms of market efficiency</li> <li>• Leverage and firm value</li> <li>• Patterns of corporate financing – the pecking order</li> <li>• EBIT-EPS Analysis</li> </ul>	LO1, LO2	HD, Chapter 11, 12 RW, Chapter 15, 16
15-17	<b>Financial Market, Risk and Return</b>	LO3	RW, Chapter 9, 10

	<ul style="list-style-type: none"> <li>• Derivatives Market (Options and Futures)</li> <li>• Money market, call market</li> <li>• Fixed Income market</li> <li>• Portfolio risk and return</li> </ul>		
18-20	<b>Corporate Distress and Reorganisation</b> <ul style="list-style-type: none"> <li>• Reasons for distress</li> <li>• Dealing with distress – Divestiture, Spin-off, Equity Carve-Outs, Mergers, LBOs</li> </ul>	LO3	HD, Chapter 28

**QUIZ II will be given after 20<sup>th</sup> session and will cover the entire course.**