



**INTERNATIONAL MANAGEMENT INSTITUTE, BHUBANESWAR**

**PROGRAMME NAME: PGDM**

**COURSE TITLE (FN501: Financial Management I)**

**CREDIT: (2 credits)**

**SESSION DURATION: 60 Minutes**

**TERM: II**

**ACADEMIC YEAR: 2019-2020**

**BATCH: PGDM 2019-21**

**FACULTY :** Dr. Santanu Das

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**Office hours:** 9:30 AM – 5:30 PM

**Consulting hours:** Anytime during office hours subject to availability

**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**

- Understanding basic ideas of time value of money (LO1)
- To have an exposure to corporate financial decision making (LO 2)
- To understand financial market instruments and their use in corporate finance (LO3)
- To implement decision making in corporate finance (LO4)

**Course Pedagogy:** Classroom lectures, exercises and assignments

## 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:

Evaluation Component	Weight (%)	Learning Outcomes
Quiz (Unannounced of 20 marks each; Average will be considered)	20	LO1, LO2
Assignments (average will be considered. To be based on empirical data. Data Source: Bloomberg)	20	LO4
Mid Term	20	LO1, LO2
End Term	40	LO1,LO2, LO3 and LO4

## Plagiarism

We are committed to upholding the highest standards of academic integrity and honesty. Plagiarism is the use of or presentation of ideas, works that are not one's own and which are not common knowledge, without granting credit to the originator. You may refer the already available content just for your reference and to get the basic ideas. Only 20% of such content is acceptable, above that comes under the definition of Plagiarism which is unacceptable in IMI and will be treated seriously. All such cases will be referred to the appropriate body of the Institute for suitable disciplinary action.

### 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></ul>	LO 1	RW Chapter 1, 4

	<ul style="list-style-type: none"> <li>Preparing loan amortisation schedule</li> </ul>		
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, LO2	HD, Chapter 10  <b>Assignment 1:</b> To calculate the cost of capital of any two firms – One Indian and One US  Data Source: Bloomberg  (Due date: Session 8)
7-10	<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>	LO2, LO4	RW, Chapter 6,7  HD, Chapter 8
11-13	<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>	LO 3	HD, Chapter 20, 21
14-15	<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>	LO 4	HD, Chapter 11, 12  RW , Chapter 15, 16  <b>Assignment 2:</b> To study the capital structure of any two firms – One Indian and One US over last 5 years and perform an industry analysis  Data Source: Bloomberg  (Due date: Session 17)
16-18	<b>Financial Market, Risk and Return</b> <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>	LO 3, LO4	RW , Chapter 9, 10  <b>Assignment 3:</b> Download the stock price of any 2 firms from different industry (daily frequency) and find the portfolio return, standard deviation and

			<p>their call prices</p> <p>Data Source: Bloomberg</p> <p>(Due date: Session 20)</p>
19-20	<p><b>Corporate Distress and Reorganisation</b></p> <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>	LO 4	HD, Chapter 28