

INTERNATIONAL MANAGEMENT INSTITUTE, BHUBANESWAR
Post Graduate Diploma in Management (PGDM)
COURSE NAME: FINANCIAL MANAGEMENT-I
CREDIT: 2 CREDITS
SESSION DURATION: 60 Minutes

Term: II
Year: 2020

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Course Introduction: Finance is the life blood of business. Therefore, the financial manager has to take the right financial decision at the right time keeping in mind the objective it has to achieve. The financial management covers the theory, concepts and tools of modern finance that will govern good financial decision making. It will help the financial manager successfully responding to the challenges in corporate world posed by the dynamics of economic and financial environment and in solving practical problems. The manager would be able understand what the various financial functions are and what they are seeking to achieve. This course familiarises the students with various tools, concepts and theories of corporate finance and their application in the real world financial decision making. The full course will be taught in two parts. Financial Management- I (FM-I) will cover the application of the technique of Time Value of Money, the concepts of Cost of Capital, Risk and Return and Valuation of Securities and one of the financial important financial functions i.e. Capital Budgeting. Further, FM-I will touch upon the Financial Markets, Financial Derivatives and Role of Currency Market in the context of International Financial Management.

Course objectives: The students should understand and familiarise with:

- Important financial functions of the business
- The objective of wealth maximisation for shareholders.
- Estimating of return and risk on investment
- Methods of estimating value of the share, bond and firm as a whole
- Application of the concept of time value of money in financial decision making viz. taking investment decision

Learning Outcome:

- Understanding of the various financial functions of business and their objectives (LO 1)
- Able to apply the time value technique in financial decision making (LO2)
- Able to estimate risk and return involved in financial investment and cost of various sources of capital used in the business (LO 3)
- Able to estimate the value of debt, equity and firm as a whole (LO 4)
- Able to take the investment decision using capital budgeting tool (LO 5)
- Exposure to financial market and Intermediaries (LO 6)

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

Course Readings:

Text:

Corporate Finance – Steven A Ross, Randolph W Westerfield, Jeffery Jaffe and Ram Kumar Kakani *TMH* (RW)

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

References:

Principles of Corporate Finance- Richard Brealey, Stewart C. Myers, Franklin Allen and Pitabas Mohanty

Course Evaluation Criteria:

1 st . Quiz (20 marks)	15% (LO1 to LO 3)
2 nd . Quiz (20 marks)	15% (LO 4, LO 6)
End Term Exam	40% (LO1 to LO 6)
Class Participation (CP)	10% (LO1 to LO 6)
Project	20% (Either of LO 3, LO 4 or LO 5)

Session Plan:

Session No.	Topic	Learning Outcomes	Reading
1	Introduction to Finance <ul style="list-style-type: none"> The Corporate Firm Corporate Finance Function – Investment & Financing Objectives of Financial Management Role of Finance Manager 	LO1	Chapter 1 (RW)
2-4	Introduction to Time Value of Money <ul style="list-style-type: none"> Importance of Time Value Future Value and Present Value Concept FV and PV of Cash Flows – Single Period, Multi Period and Annuity Present Value and Rate of Return Preparing Loan Amortisation Schedule 	LO 2	Chapter 4 (RW)
5-8	Return & Risk <ul style="list-style-type: none"> Holding Period Return, Average Return and Risk Free Return Measure of Risk in Return (Variance of Return) Return & Risk of Individual Security Return and Risk for Portfolios (Efficient Set of Assets, Diversification, CAPM, Systematic and Unsystematic Risk) 	LO 3	Chapter 9, 10 & 11(RW)
9-10	Cost of capital <ul style="list-style-type: none"> Cost of debt capital Cost of equity capital using CAPM, Dividend growth model, PE ratios Use of CAPM to calculate cost of equity 	LO 3	Chapter 12 RW)
11-13	Valuation of Securities (Bond & Stock) <ul style="list-style-type: none"> Bond Yield, Bond Value Valuing Common Stock Using Discounted Cash Flow Method Dividend Growth Model Relative Valuation Method (Price- Earnings Ratio) 	LO 4	Chapter 5 RW)
14-17	Capital Budgeting Decisions <ul style="list-style-type: none"> Estimation of Cash Flows Capital Budgeting Tools: Discounted and Non-Discounted Cash Flow Tools Discounted Techniques : NPV, IRR, & PI 	LO 5	RW, Chapter 6,7

	<ul style="list-style-type: none"> • Non- Discounted Techniques: Payback Period & Accounting Rate of Return 		
18-19	Financial Markets & Intermediaries <ul style="list-style-type: none"> • Money market, call market • Fixed Income market • Primary and Secondary Market • Equity Market • Derivatives Market (Options and Futures) 	LO 6	BM , Chapter 14.4 & 14.5
20	Introduction to International Corporate Finance <ul style="list-style-type: none"> • Foreign Exchange Market & Exchange Rates • Purchasing Power Parity and Interest Rate Parity Theory • International Capital Budgeting 	LO 6	Chapter 31 (RW)
21-23	<ul style="list-style-type: none"> • Project Presentation 	LO 3 , 4 to LO 5	

Guidelines for project: Each student needs to mandatorily undertake a project and make a presentation at the end of the term. Since it is a group project, the contribution of each member needs to be clearly delineated although it is expected that each member should know the project thoroughly. The final report needs to be submitted before the presentation with the following components:

- Title page (format same as that of SIP report)
- Index
- Introduction about the topic (about 500 words)
- Data Source
- Methodology and model used
- Discussion of result
- Conclusion

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.