

FIN501:CORPORATE FINANCE

L:3 T:1 P:0 Credits:4

Course Outcomes: Through this course students should be able to

CO1 :: visualize the importance of financial management in a corporate while weighing various sources of finance

CO2 :: evaluate cost of capital of various sources of finance in the light of time value of money

CO3 :: examine capital structure decisions in the light of leverage in financial and operating structure

CO4 :: evaluate initiation of projects based on capital budgeting decisions

CO5 :: test investment designs in the light of risk and return

CO6 :: explore the importance of working capital management for a financial manager

Unit I

Financial Management- Introduction : Objective and scope, Financial goal- Profit Maximization vs. Wealth Maximization

Finance function : Investment Decision, Financing Decision, Dividend decision, Interrelation of Finance Functions

Source of Finance : Short term Sources of Finance, Long term Source of Finance, Leasing as a Source of Finance, Venture capital

Unit II

Concept of Time Value of Money : Present & future value of annuities & Single Amount, Perpetuity

Cost of Capital : Concept and its Significance, Measurement of cost of capital of various source of funds i.e. Equity Shares, Preference Shares, Debentures, Retained Earnings, Weighted Average Cost of Capital

Unit III

Leverage : Operating Leverage, Financial Leverage, Combined Leverage

Capital Structure Decision : Introduction, Factors Effecting capital structure decision, Theories of Capital Structure, Optimum Capital Structure, Understanding debt and equity mix

Unit IV

Capital budgeting : Meaning and Process, Traditional Methods of analyze capital budgeting decisions, Discounting methods of analyze capital budgeting decisions, Simulation Analysis, Scenario Analysis, Sensitivity Analysis

Unit V

Risk and return analysis : Risk Measurement, Beta - Meaning and Calculation, Standard Deviation as a measure of risk

Management of Surplus; Dividend policy : Retained earnings and Dividend policy, Theories of dividend, Forms of dividend

Unit VI

Working Capital Management : Concept and Significance, Financing of working capital needs, Estimation of working capital requirement, Approaches for working capital management, Management of cash, receivable and inventory

Text Books:

1. FINANCIAL MANAGEMENT by I M PANDEY, VIKAS PUBLISHING HOUSE

References:

1. FINANCIAL MANAGEMENT by SRIVASTAVA R, MISRA A, OXFORD UNIVERSITY PRESS
2. FINANCIAL MANAGEMENT by RAJESH KOTHARI, SAGE PUBLICATIONS

