

Ramaiah Institute of Management

Post Graduate Diploma in Management (PGDM) Programme

Course Code: 22PGD202

Course Title: CORPORATE FINANCE

Number of Credits: 4

Course Objectives:

- To understand the processes and techniques of financial management and its related decision areas

Course Outcomes

At the end of the course, students will be able to:

1. Understand the basic concepts in financial management and the major decision areas and time value of money.
2. Comprehend the types and associated costs of long-term finance impacting the capital structure decision of a firm and recognize the role of the Indian financial system.
3. Evaluate long-term investment opportunities by applying various techniques.
4. Assess the working capital requirements of a company.
5. Appreciate the significance of dividend decisions and forms of dividends available to a corporate.

Syllabus

Module 1: Introduction to Financial Management 4hrs CO1

Meaning of Financial Management and areas of decision-making, Objectives of financial management—profit maximization and wealth maximization. Changing role of finance managers. Organization of finance function.

Module 2: Time value of money 6hrs CO1

Compounding, Continuous Compounding, Effective Rate of Interest, Discounting – Single Cash Flows & Series of Cash Flows, Annuity – Future Value and Present Value, Present Value of Growing Annuity, Perpetuity – Present Value, Present Value of Growing Perpetuity, Equated Annual Installments. (Valuation of bonds and shares not included) Risk and Return Concept.

Module 3: Long-Term Financing decisions 10hrs CO2

Equity, Preference (Types), Debentures (Types), Retained Earnings.

Introduction to Indian Financial System: Functions, Structure, Financial Markets, Financial Intermediaries, Financial Assets- Venture capital, Regulatory entities - RBI and SEBI.

Cost of capital – basic concepts. Measurement of Specific costs: Cost of debenture capital, cost of preferential capital, cost of term loans, cost of equity capital (Dividend discounting and CAPM model –Theory only). Cost of retained earnings. Determination of Weighted average cost of capital (WACC) using Book value and market value weights. (Marginal cost of capital not included)

Leverages: Determination of operating leverage, financial leverage, and total leverage. EBIT – EPS Analysis, ROI-ROE Analysis. (Capital structure theories not included)

Module 4: Investment Decisions- Capital Budgeting 12hrs CO3

Investment evaluation techniques (Traditional and Modern Techniques)-Average rate of return, Payback period, Discounted payback period, Net present value, Internal rate of return, Profitability Index. (Excluding Replacement projects and the concept of Block of assets)

Module 5: Investment Decisions-Working capital Decision 12hrs CO4

Meaning of Working Capital, factors influencing working capital requirements. Current asset policy and current asset financing policy. Short-term sources of finance Determination of operating cycle and cash cycle. Estimation of working capital requirements of a Firm. Introduction to Cash Management, Receivables Management, and Inventory Management.

Module 6: Dividend Decisions 4hrs CO5

Meaning, Factors affecting the dividend policy - dividend policies- stable dividend, stable payout. Alternative forms of Dividend -Bonus shares, Stock split, Buyback of shares. (Dividend theories not included).

Selected Readings:

- Income statement and balance sheets of companies from the perspective of leverages, capital structure, and working capital.

Case Studies:

- The Petropull Company (Capital Budgeting, I M Pandey)

- The Hindustan Lever Ltd (Cost of Capital, I M Pandey)
- Central Equipment Company (Leverages, I M Pandey)
- Reliable Texamill Ltd (Forecasting working capital needs, I M Pandey)

Recommended Book(s):**Text Book:**

1. Pandey I M, (2015) “Financial Management”, 11/e, Vikas Publications.

Other References:**Reference Books:**

1. Chandra, (2019), “Financial Management- Theory and Practice”, 10/e, McGraw Hill Education.
2. Rajiv Srivastava & Anil Misra, (2011) “Financial Management”, 2/e, Oxford University Press.