

## **Introduction to corporate finance**

**UHU008**

<b>L</b>	<b>T</b>	<b>P</b>	<b>Cr</b>
<b>3</b>	<b>0</b>	<b>0</b>	<b>3</b>

### **Aim of the course**

This course aims to provide the students with the fundamental concepts, principles and approaches of corporate finance, enable the students to apply relevant principles and approaches in solving problems of corporate finance and help the students improve their overall capacities.

### **Introduction to corporate finance**

Finance and corporate finance. Forms of business organizations, basic types of financial management decisions, the goal of financial management, the agency problem. The role of the financial manager; basic types of financial management decisions.

### **Financial statements analysis**

Balance sheet, income statement, cash flow, fund flow financial statement analysis Computing and interpreting financial ratios; conducting trend analysis and Du Pont analysis.

### **The time value of money**

Time value of money, future value and compounding, present value and discounting, uneven cash flow and annuity, discounted cash flow valuation.

### **Risk and return**

Introduction to systematic and unsystematic risks, computation of risk and return, security market line, capital asset pricing model.

### **Long-term financial planning & Financial Decisions**

Various sources of long term financing, the elements and role of financial planning, financial planning model, percentage of sales approach, external financing needed. Cost of capital, financial leverage, operating leverage. Capital structure, theories of capital structure net income , net operating income & M&M proposition I and II.

### **Capital Markets**

Nature of capital market, Primary market- features of primary market, parties involved in primary Market, various modes of issue of shares, allotment of Shares, factors to be

considered by Investors, Secondary market- features of secondary market, regulatory framework, members of stock exchanged, different groups of securities, 'Settlement Period, determination of stock prices, market capitalisation, determination of sensex value, risk in the Stock Market

### **Short-term financial planning and management**

Working capital, operating cycle, cash cycle, cash budget, short-term financial policy, cash management, inventory management, credit management.

### **Capital budgeting**

Concepts and procedures of capital budgeting, investment criteria ( net present value, payback, discounted payback, average accounting return, internal rate of return, profitability index ), incremental cash flows, scenario analysis, sensitivity analysis, break-even analysis,

### **Dividend policy**

Dividend, dividend policy, Various models of dividend policy ( Residual approach, Walter model, Gordon Model, M&M, Determinants of dividend policy.

### **Security valuation**

Bond features, bond valuation, bond yields, bond risks, stock features, common stock valuation, and dividend discount & dividend growth models. Common stock yields, preferred stock valuation.

### **Course Learning Outcomes**

1. Apply best practice tools and methods in corporate finance and investment management to different settings.
2. Evaluate critically corporate financial management practices with the aim of proposing and implementing improvements
3. Apply the methods and procedures of financial management, with particular reference to investment evaluation, investment management, capital budgeting, corporate evaluation, risk management.
4. Apply the methods and procedures to value stocks and bonds; assess the risk and return of assets.
5. Estimate a company's cost of capital; determine whether a company is creating or destroying value; select a company's optimal mix of debt and equity financing; and compensate shareholders in the most convenient way.
6. Ability to take optimal dividend decisions using the base of different relevant theories of dividend

### **Textbook**

1. Principles of Corporate Finance, 9th edition, Brealey, Myers & Allen, The McGraw-Hill

2. Companies, Inc., 2007. Financial Management: Theory and Practice, Brigham & Ehrhardt, 10th edition, Cengage
3. Learning, 2002. Fundamentals of Financial Management, 12th edition, Horne & Wachowicz, Pearson Education, Inc., 2005.

## **References**

1. Van Horne, James, C (2002). Principles of Financial Management, Pearson
2. Brigham. Eugene F. and Houston. Joel F. (2006). Fundamentals of Financial Management, 10<sup>th</sup> Edition, Cengage Learning
3. Pandey, I. M., Financial management, Vikas Publishing House Pvt. Ltd., Noida, 2011, 12th ed.
4. Elton, Edwin J. and M.J.Gruber(2007), 'Modern Portfolio Theory and Investment Analysis', 7th Edition, John Wiley and Sons.