

FINM551:CORPORATE FINANCE -II

L:2 T:1 P:0 Credits:2

Course Outcomes: Through this course students should be able to

- CO1 :: evaluate the profitability and value of firm with change in degree of leverage
- CO2 :: analyze value of firm with change in capital structure
- CO3 :: appraise value of firm with change in dividend policies
- CO4 :: construct a portfolio ensuring tradeoff between risk and return
- CO5 :: apply working capital and cash management policies for ensuring solvency of firm
- CO6 :: evaluate the effect of receivable and inventory management policies on management of working capital

Unit I

Leverage : meaning, types of leverage, financial leverage, operating leverage, combined leverage

Unit II

Capital structure decisions : capital structure and value of firm, capital structure theories: net income approach, net operating income approach, Modigliani and Miller propositions

Unit III

Dividend decisions : forms of dividend, factors determining dividend policy, Gordon model, Walter model, MM hypothesis, dividend policy and value of firm, theories of dividend:

Unit IV

Risk and return : holding period return, expected return, systematic risk, single asset portfolio risk, multiple asset portfolio risk, unsystematic risk

Unit V

Working capital management : meaning, components of working capital, factors affecting working capital, working capital policies/strategies

Cash management : operating cycle, cash conversion cycle, reasons of holding cash, cash collection

Unit VI

Inventory management : economic order quantity, stock taking techniques, levels of stock: minimum level, maximum level, reorder level

receivable management : terms of sale, credit policies, aging accounts receivable

Text Books:

1. CORPORATE FINANCE by ROBERT PARRINO; DAVID KIDWELL, ET AL., WILEY

References:

1. FUNDAMENTALS OF CORPORATE FINANCE by JONATHAN BERK, PETER DEMARZO & JARRED HARDFORD, PEARSON
2. CORPORATE FINANCE by STEPHEN A. ROSS, RANDOLPH W. WESTERFIELD & JEFFREY JAFFE, MC GRAW HILL