

# FINANCIAL MANAGEMENT II (FM2)

## 1. COURSE OUTLINE

**Name of the Instructor:** Ram Kumar Kakani

**Contact:** Email: kakani@xlri.ac.in; in person – On Class/Session Days

### **Objectives:**

Financial Management I & II courses (combined together) provide necessary exposure to the students on the essentials of financial management. The goals of FM2 include – familiarizing the students with financial markets, with capital structure, with hybrid securities, with dividend policy; with basics of raising finance in financial markets; and with basics of risk-related instruments. At the end of the two FM courses, students should be able to use a range of financial management techniques and look at their managerial implications.

### **Pedagogical Methods:**

The course is based on classes, cases, and project work. Active participation by students is an important feature of the course. A variety of surprise quizzes, take home assignments, tests, and case studies are the main pedagogical instruments.

### **Suggested Readings:**

1. **Financial Management Theory and Practice by Prasanna Chandra, 6<sup>th</sup> edition**
2. **Principles of Corporate Finance by Brealey & Myers, 6<sup>th</sup> edition**
3. Corporate Finance by Ross, Westerfield, & Jaffe
4. Fundamentals of Corporate Finance by Ross, Westerfield, & Jordan, 6<sup>th</sup> edition
5. Principles of Managerial Finance by Lawrence J. Gitman, Pearson Education
6. Fundamentals of Financial Management by Van Horne & Wachowicz, 10<sup>th</sup> edition.
7. Cash & Working Capital Management by Srinivas
8. Financial Management and Policy by Van Horne, 10<sup>th</sup> edition
9. Financial Management and Policy by V. K. Bhalla, 2<sup>nd</sup> edition
10. Managerial Finance by Weston & Brigham

### *Note*

*Books no. 4 and 6 are basic in nature and would be very useful for those who think they are still novices to the world of corporate finance and need some basic conceptual clarity.*

### **Study Material**

The course notes and material (to be distributed in the class from time to time) comprises of both theories and problems (wherever applicable). It may be noted that the text books given (brealey myers and prasanna chandra) and course material is nothing more than a summary of what is being taught in class. These should not be considered as exhaustive under any circumstances. Cases and additional notes will be distributed in the class from time to time (these will be mostly taken from references provided above).

Should the students feel that they need more detailed notes/material for a particular topic – they can get in touch with me.

**Other Course Policies:**

Students are expected to have their own calculators during the class/examinations.

**Exams** → The end-term exam will be comprehensive meaning you will be responsible for all the material covered (lectures and review sheets) in the course.

**Class Participation** → I will sometimes randomly call on people to present their case/assignment solutions and at other times I will allow people to volunteer to present their homework solutions. Class participation marks will also be based on participation in class discussion, attendance, and being on time.

**System of Evaluation**

Method of Evaluation	Marks
Class Attendance/Participation	05
Mid-term Examination*	20
Surprise Quizzes*	10
Take Home Assignments/Projects	25
End-term Examination*	40

\* → Please note that some questions will carry negative marks also (for wrong answers)

**Grading Pattern**

<b>Range of Marks</b>	0-30	31-35	35-40	41-45	46-50	51-60	61-70	71-80	81-100
<b>Grades</b>	F	D	D +	C	C +	B	B +	A	A +

*Will be changed to comply with the requirements and grading pattern of IIM Kozhikode*

**Sources of Financial Information:**

The following sources apart from **CMIE-PROWESS** have extensive information about corporate world, economy and markets.

- Government-owned Websites: Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI), Ministry of Finance – Government of India (\*.nic.in)
- Stock Exchange Websites: National Stock Exchange (NSE), and Bombay Stock Exchange (BSE)
- Financial Magazine/Newspaper Websites: Business Standard, Hindu Business Line, Financial Express, Wall Street Journal, Financial Times, Business Today, Economic Times, Economist, etc.
- Other websites: Capital Market, Indiainfoline, Indiabulls, Equitymaster, Sharekhan, iInvestor, CRISIL, CMIE, CapitalIdeasOnline, ICICIMarkets, Motleyfool, World Bank, ICICIDirect, 5paisa, CARE, MoneyControl, Myiris, etc.

**Topics to be covered:**

It is important to come to the class with prior reading with relevant chapters ... otherwise, you will find lot of things going above head ....

<b>Session-wise Plan</b>	<b>Suggested Reading (in addition to class material / case material)</b>
1. Risk & Return, Cost of Capital	Chapter 7, 8 in Brealey & Myers
2. Risk & Return, Cost of Capital	Chapter 7, 8 in Brealey & Myers
3. NPV and Valuation Connection	Chapter 11, 12 in Brealey & Myers
4. NPV and Valuation Connection	Chapter 11, 12 in Brealey & Myers
5. Market Efficiency	Chapter 13 in Brealey & Myers
6. Corporate Financing	Chapter 14, 15 in Brealey & Myers
7. Corporate Financing	Chapter 14, 15 in Brealey & Myers
8. Corporate Financing	Chapter 14, 15 in Brealey & Myers
9. Dividend Policy	Chapter 16 in Brealey & Myers
10. Capital Structure Policy	Chapter 17, 18 in Brealey & Myers
11. Capital Budgeting & Risk	Chapter 9, 10 in Brealey & Myers
12. Financing and Valuation	Chapter 19 in Brealey & Myers
13. Options and Real Options	Chapter 20, 21, 22 in Brealey & Myers
14. Options and Real Options	Chapter 20, 21, 22 in Brealey & Myers
15. Options and Real Options	Chapter 20, 21, 22 in Brealey & Myers
16. Warrants and Convertibles	Chapter 23 in Brealey & Myers
17. Issues related to Debt	Chapter 24 in Brealey & Myers
18. Securitization and other Instruments	Chapter 25 in Brealey & Myers
19. Securitization and other Instruments	Chapter 25 in Brealey & Myers
20. Leasing	Chapter 26 in Brealey & Myers