

Corporate Finance 2

Section 1: General Information

1.1 Administrative details:

Associated HE Award(s)	Duration	Level	Subject Coordinator
Executive MBA (EMBA)	12+4 (16 Months)	Term 1	

1.2 Core or elective subject/unit

Indicate if the subject/unit is a

- core subject/unit
 elective subject/unit
 other (please specify below):

1.3 Subject/unit weighting

Indicate below, the weighting of this subject/unit and the total course points (eg 10 credit points for the subject/unit and 320 credit points for the course)

Subject/Unit Credit Points	Total Course Credit Points
1	10

1.4 Student workload

Indicate below, the expected student workload per week for this subject/unit:

No. timetabled hours/week*	No. personal study hours/week**	Total workload hours/week***
9	9	18

* Total time spent per week at lectures, tutorials, clinical and other placements etc

** Total time students are expected to spend per week in studying, completing assignments, etc

*** That is, * + ** = workload hours.

1.5 Mode of Delivery

Indicate if this subject/unit is delivered

- face to face
 online
 independent learning module/un timetabled study
 by a combination of modes (please specify below)
 through a practicum
 other mode (please specify below)

1.6 Pre-requisites

Are students required have undertaken a prerequisite/co-requisite subject/unit(s) for this subject/unit?

- Yes
 No

If **yes**, provide **details** of the prerequisite/co-requisite **requirements** below:

Financial Accounting for Decision Making

1.7 Other resource requirements

Do students require access to specialist facilities and/or equipment for this subject/unit (eg special computer access / physical education equipment)?

- Yes
 No

If yes, provide details of the requirements below:

Note: Access to these requirements should be detailed under 3.5 in the accreditation application form.

1.8 Supporting Material

- ◆ *“Corporate Finance” by Ross, Westerfield, Jaffe, & Kakani, 8th Ed., Special Indian Edition, Tata McGraw- Hill Publications (Higher Education), 2009. [RWJK]*

- ◆ “Principles of Corporate Finance” by Brealey, Myers, Allen, & Mohanty, McGraw Hill, 2007 [BMAM]
- ◆ “Financial Management: Theory & Practice” by Prasanna Chandra, McGraw Hill, 2007 [PC]
- ◆ “Financial Management and Policy” by James C. Van Horne, PHI, 2002 [VH]
- ◆ “Fundamentals Of Financial Management” by Brigham & Houston, South-western/cengage Learning, 2008 [BH]
- ◆ “Financial Management” by Jonathan Berk, Peter De Marzo & Ashok Thampy, Pearson, 2010 [BMT]
- ◆ “Financial Accounting for Management” by Ramachandran & Kakani, 3rd Ed., Tata McGraw-Hill Publications (Higher Education), 2011. [RK]
- ◆ “Fundamentals of Corporate Finance” by Ross, Westerfield & Jordan, McGraw Hill, 2007 [RWJ]
- ◆ “Corporate Finance: A Focused Approach” by Ehrhardt & Brigham, Cengage, 2009 [EB]
- ◆ “Fundamentals of Financial Management” by Van Horne & Wachowicz, Pearson, 2009 [VW]
- ◆ “Essentials of Managerial Finance” by Weston, Besley & Brigham, W B Saunders, 1996 [WBB]
- ◆ “Principles of Managerial Finance” by Lawrence Gitman, Pearson, 2010 [LG]
- ◆ “Financial Management” by I M Pandey, Vikas, 2010 [IMP]

Section 2 – Academic Details

2.1. Student learning outcomes

Students will build on the accounting concepts learnt during the course ‘Accounting for Decision Making’. The ‘Accounting for Decsiosn Making’ course introduces the students to financial impact of various decisions made in the past. The Corporate Finance course will teach them how those decisions are taken by the management and what is the inter-relationship between different decisions.

At the end of the subject students shall be able to:

- a) Make use of the capital budgeting techniques in plain contexts
- b) The basic principles of risk and return
- c) The process of finding cost of capital of companies
- d) Understand dividend policy and capital structure of a firm and its relation to its value
- e) Able to link individual financial management issues with the broader perspective of a firm’s aims and objectives

2.2 Course content and structure

Session #	Theme	Reading/Case	Teaching Pedagogy
1, 2, & 3	Capital Budgeting - Identifying, analyzing and measuring cash flows relevant to Capital Exp. - Key Cash Flow measures for Investment decisions - Comparing Measures for investment decisions -NPV vs IRR - Capital Rationing and Profitability index - Risk, Return, Sensitivity Analysis and Capital Budgeting	HBR Note: Introduction to Accumulated Value, Present Value, and Internal Rate of Return (HBP) HBR Case: Alternative: Valuing Capital Investment Projects HBR Case2: Ocean Carriers == Other Supporting Material: Chapters 6, 7 & 8 in RWJK; Chapters 8, 10, 11, 12 & 13 of IMP; Chapters 7 & 8 of EB;	Lecture, Discussion, Problem Solving, and Case Analysis

		Chapters 12, 13 & 14 in VW; Chapters 8 & 9 of LG; Chapter 8 of LG; Chapters 5, 6 & 10 of BMAM	
4 & 5	<p>Understanding Risk and Return</p> <ul style="list-style-type: none"> - Systematic and Un-Systematic risk - Individual Securities and Portfolio risk - Diversification - Relationship between Risk and Return 	<p>HBR Note: Diversification, the Capital Asset Pricing Model, and the Cost of Equity Capital Or HBR Introduction to Portfolio Theory == Other Supporting Material: Chapters 9 & 10 in RWJK Chapters 7 & 8 of BMAM; Chapters 8 & 9 of PC; Chapters 4, 5 & 6 of IMP, Chapter 3 of EB, Chapters 5 & 12 in VW; Chapter 5 of LG</p>	Lecture, Discussion and Problem Solving
6 & 7	<p>Weighted Average of Cost of Capital</p> <ul style="list-style-type: none"> - Capital Asset Pricing Model (CAPM) - Cost of Equity and Cost of Debt 	<p>HBR Leveraged Betas and the Cost of Equity (HBS note) HBR Case: Beta Management Company == Other Supporting Material: Chapters 11 and 12 in RWJK Chapter 9 of BMAM; Chapter 14 of PC; Chapter 14 in PC; Chapters 9 & 17 of IMP; Chapter 6 of EB; Chapters 8 & 15 of VW; Chapters 10 & 11 of LG</p>	Lecture, Discussion and Problem Solving
8 & 9	<p>Leverage and Capital Structure:</p> <ul style="list-style-type: none"> - Leverage and Firm- Value - Modigliani-Miller propositions I and II - Capital Structure and Risk and Returns - Market Efficiency 	<p>HBR Note on the Theory of Optimal Capital Structure (note) HBR Article: How Much Debt Companies Need (HBR) HBR Case: MCI Communications Corp.--1983 == Other Supporting Material: Chapters 13, 15, and 16 in RWJK Chapters 13, 14, 17, & 18 of BMAM; Chapters 16, 19 & 20 of PC; Chapters 12 in LG; Chapters 14, 15 & 16 of IMP; Chapters 16 & 17 in VW</p>	Lecture, Illustration-Based Discussions and Problem Solving
10 & 11	<p>Dividend Policy</p> <ul style="list-style-type: none"> - Dividend Decisions and Firm Value 	<p>Lecturer Notes HBR Case: Dividend Policy at Linear Technology == Other Supporting Material: Chapter 18 in RWJK Chapter 16 of BMAM; Chapters 21 & 22 of PC; Chapter 18 of IMP; Chapter 14 of EB; Chapter 18 in VW; Chapter 13 of LG</p>	Lecture, Discussion and Problem Solving

12	Revision and integration of CF1 and CF2	HBR Article: The Finance Function in a Global Corporation == Other Supporting Material: All of the above chapters in the reference books (referred above)	Lecture, Discussion and Problem Solving
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***Faculty may use appropriate cases/assignments/readings, comparable with syllabus standards**

2.3. Student Assessment:

Assessment Type	When assessed	Weightage	Learning Outcomes Assessed
Group-Based Case Analysis capturing Experiences & also enabling knowledge sharing	On going	20	Items (a), (c), (d) and (e) listed above
Assignments (individual specific)	At the end of the course	30	Items (b), (c), and (d) listed above
Mid Term Test	Session 8	10	Items (a) and (b) listed above
Examination	End Term	40	All items listed above

2.4 Prescribed and Recommended Texts

<p>12. Note: Introduction to Accumulated Value, Present Value, and Internal Rate of Return 13. Case: Alternative: Valuing Capital Investment Projects 14. Case2: Ocean Carriers 15. Note: Diversification, the Capital Asset Pricing Model, and the Cost of Equity Capital 16. Introduction to Portfolio Theory 17. Leveraged Betas and the Cost of Equity (HBS note) 18. Case: Beta Management Company 19. Note on the Theory of Optimal Capital Structure (note) 20. Article: How Much Debt Companies Need (HBR) 21. Case: MCI Communications Corp.—1983 22. Case: Dividend Policy at Linear Technology 23. Article: The Finance Function in a Global Corporation</p>
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