

*Course Outline***BASIC FINANCIAL MANAGEMENT**[©]*for**PMIR I 2010-11*Course Instructor: *ram kumar kakani***XLRI** Jamshedpur
*School of Business & Human Resources***Contact:**

Intercom – 3104; Email: kakani@xlri.ac.in; in person – On class/session days

Course Objectives:

For any business organization, financial success is arguably the principal purpose around which all management activities revolve. So, there is an imperative need to be conscious of financial management basics by all the management students including *the PMIR students*. This course provides necessary exposure to the students on the basics of financial management. The objective of the course is also to acquaint the students with the key financial management techniques such as financial analysis, valuation, capital budgeting, raising finance, and working capital management, where emphasis is laid on sound concepts and their managerial implications.

Pedagogical Methods:

The course is based on class lectures / discussions, case analysis, and *takes home* assignments (project). Active participation by students is an important feature of the course. A variety of quizzes, take home assignments, tests, and case studies are the main pedagogical instruments.

Primary Teaching Book & Reading Material:

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

[©] I acknowledge the inputs of CA Vasudha Singhanian in preparing this document.

Other Suggested Readings:

1. "Financial Management: Theory & Practice" by Prasanna Chandra, McGraw Hill, 2004 [PC]
2. "Financial Management" by I M Pandey, Vikas, 2005 [IMP]
3. "Corporate Finance: A Focused Approach" by Ehrhardt & Brigham, Cengage, 2003 [EB]
4. "Fundamentals of Financial Management" by Van Horne & Wachowicz, EEE, Pearson, 2009 [VW]
4. "Principles of Managerial Finance" by Lawrence Gitman, Pearson, 2009 [LG]
5. "Principles of Corporate Finance" by Brealey, Myers, Allen, & Mohanty, McGraw Hill, 2007 [BMAM]
6. "Financial Accounting for Management" by Ramachandran & Kakani, McGraw Hill, 2007 [RK]

Other Readings:

7. Fundamentals of Corporate Finance by Ross, Westerfield & Jordan, McGraw Hill
8. Financial Management: Text & Cases by Ehrhardt & Brigham, Cengage, 2005
9. Fundamentals of Financial Management by Prasanna Chandra
10. Fundamentals of Corporate Finance by Ross, Westerfield, & Jordan
11. Financial Management by Ravi Kishore, Taxmann, 2008
12. Introduction to Financial Management by Halloran & Lanser
13. Financial Management and Policy by Van Horne
14. Financial Management and Policy by V. K. Bhalla
15. Essentials of Managerial Finance by Weston & Brigham
16. Financial Statement Analysis by George Foster

Any other good (introductory) book on Financial Management

Note: Books no. 5, 8, and 13 are slightly advanced and would be of use for those who already have some basics of corporate finance.

Study Material

Students will be given a text book (RWJK) as part of the course material. It may be noted that the text book material should not be considered as exhaustive under any circumstances. Cases and additional notes would also be distributed in the class from time to time (these will be usually taken from one of the references provided above)¹. Should the students feel that they need more reading material (or detailed notes) 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 → End-term exam will typically have cases/problems followed by questions. The end-term exam will be comprehensive meaning you will be responsible for all the material covered 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 worked out 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
Mid-term Examination*/ Surprise Quizzes* / Class Attendance	30
Take Home Assignment	30
End-term Examination*	40

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

¹ They could also be magazine / journal articles or newspaper clips.

I am no God (i.e., perfect) and therefore there are bound to be ‘errors’ in estimating the true-worth of your answers (and hence, evaluation). But, I promise, evaluation will be unbiased. Also, the ‘errors’ (if any) should cancel out over the length of the evaluation cycle.

Grading Pattern

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

Note: Adjustments in the above could be made to meet the norms of the institute.

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.
- In addition, our institute subscribes to many popular databases and one can make use of them (such as, Bloomberg Terminal, ISI Emerging Markets Database, etc.
- You can also login to websites like Reportjunction.com for download of annual reports.

Topics to be covered (tentative):

Session-wise Plan	Suggested Reading
1. Introduction to Financial Management (FM) with focus on the role of FM in the Corporate World	Chapters 1 and 14 in RWJK Chapter 1 & 2 in PC; Chapter 1 of IMP; Chapter 1 of EB; Chapters 1 & 2 in VW; Chapter 1 of LG; Chapter 1 of BMAM
2. Impact of Business, Tax, and Financial Environments on the Cash Flow and other Financial Statements	Chapter 2 in RWJK and Chapter 4 in RK Chapter 3 in PC; Chapter 24 of IMP; Chapter 9 of EB; Chapter 2 in VW; Chapter 3 of LG
3. Financial Statement Analysis and Long- term Planning	Chapter 3 in RWJK and Chapter 7 in RK Chapters 4 & 6 in PC, Chapter 25 in IMP; Chapters 10 & 11 of EB; Chapters 6 & 7 in VW; Chapter 2 of LG; Chapter 29 of BMAM

Session-wise Plan	Suggested Reading
4. Time Value of Money, Valuation of Bonds & Debentures	Chapter 4 in RWJK Chapter 7 in PC; Chapter 26 of IMP; Chapters 2 & 4 of EB; Chapter 3 in VW; Chapters 4 & 6 of LG; Chapters 2 & 3 of BMAM
5. Valuation of Shares	Chapter 5 in RWJK Chapters 8 & 32 in PC; Chapter 3 of IMP; Chapter 5 of EB; Chapter 4 in VW; Chapter 7 of LG; Chapter 4 of BMAM
6. Capital Budgeting and Estimating Cash Flows	Chapters 6 & 7 in RWJK; Chapters 11 & 12 in PC; Chapters 8, 10 & 11 of IMP; Chapter 7 of EB; Chapters 12 & 13 in VW; Chapter 9 of LG; Chapters 5 & 6 of BMAM
7. Making Capital Budgeting Decisions	Chapters 7 & 8 in RWJK Chapter 12 in PC; Chapters 10, 11,12 & 13 of IMP; Chapter 8 of EB; Chapters 12 & 14 in VW; Chapter 8 of LG; Chapters 6 & 10 of BMAM
8. Risk and Return with focus on CAPM	Chapters 9, 10 & 11 in RWJK Chapters 9 in PC; Chapters 4,5 & 6 of IMP, Chapter 3 of EB, Chapters 5 & 12 in VW; Chapter 5 of LG; Chapters 7 & 8 of BMAM
9. Required Returns, EVA and Cost of Capital	Chapter 12 in RWJK Chapter 14 in PC; Chapter 9 of IMP; Chapter 6 of EB; Chapter 15 of VW; Chapter 11 of LG; Chapter 9 of BMAM
10. Operating and Financial Leverage	Class Notes, Chapter 5 in PC; Chapter 12 in LG
11. Market Efficiency and Corporate Financing	Chapters 13 and 14 in RWJK Chapters 16, 17 & 18 in PC; Chapters 19 & 20 of IMP; Chapters 13 & 14 of BMAM
12. Capital Structure Decisions	Chapters 15 & 16 in RWJK Chapters 19 & 20 in PC; Chapters 14, 15 & 16 of IMP; Chapters 16 & 17 in VW; Chapter 12 of LG; Chapters 17 & 18 of BMAM
13. Dividend Policy	Chapter 18 in RWJK Chapters 21 & 22 in PC; Chapter 18 of IMP; Chapter 14 of EB; Chapter 18 in VW; Chapter 13 of LG; Chapter 16 of BMAM

Session-wise Plan	Suggested Reading
14. Raising Equity & Long Term Debt with Focus on Process of Issuing Securities to Public	Chapters 19 & 20 in RWJK Chapter 23 in PC; Chapter 20 of IMP; Chapters 19 & 20 in VW; Chapters 15, 23 & 24 of BMAM
15. Options & Corporate Finance	Chapters 22 and 23 in RWJK Chapter 10 in PC; Chapter 7 of IMP; Chapter 17 of EB; Chapters 20,21 & 22 of BMAM
16. Warrants, Convertibles & Derivatives	Chapter 24 & 25 in RWJK Chapter 25 in PC; Chapter 16 of LG; Chapter 25 of BMAM; Chapter 22 in VW; Chapter 21 of IMP
17. Working Capital Management	Chapters 26, 27 & 28 in RWJK Chapters 26, 27, 28, 29, 30 & 31 in PC; Chapters 27, 28, 29, 30, 31 of IMP; Chapters 11 & 16 of EB; Chapters 8,9,10 & 11 of VW; 14 & 15 of LG; Chapters 30 & 31 of BMAM
18. Mergers, Acquisitions & Financial Distress	Chapters 29 & 30 in RWJK Chapters 34 & 38 in PC; Chapter 32 of IMP; Chapter 23 in VW; Chapter 17 of LG; Chapters 32 & 33 of BMAM
19. Corporate Control and Governance	Class Notes , Chapter 35 in PC; Chapter 34 in BMAM
20. If time permits.....Introduction to Hedging and International Corporate Finance	Chapters 25 & 31 in RWJK Chapters 37 & 40 in PC; Chapters 33 & 34 of IMP; Chapter 15 of EB; Chapter 24 in VW; Chapter 20 of LG; Chapters 27, 34 & 35 of BMAM

Note:

- ◆ Please note that the above sequence is tentative (could be altered based on class experience).
- ◆ Additional lecture sessions, guest lectures by practitioners, & tutorial sessions would be arranged on request. Already I have discussed with CRs on a few sessions on budgeting, ROI computations for HR, etc.
- ◆ Class discipline rules include – (a) No usage of laptops or other electronic items (except calculators) – essentially any item that could disturb others in the classroom; (b) Mobile: If a student gets caught having a mobile (or similar instrument) in the classroom then that student gets minus five marks and rest of the students in the same row get minus two marks each (some peer monitoring there!); and (c) PowerPoint Presentations: Session-wise Pdf files would be e-mailed after the session.