

Course Outline

Creating Corporate Value

For
PGCSL 1 (TCLL), 2018-19

Course Instructor: Ram Kumar Kakani

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Introduction:

Senior leaders and top managers (irrespective of their specializations) need to understand basic Finance and Accounting. They also need to apply the same while evaluating corporate strategy ideas – primarily to ensure that the moves made by the company (say, strategic alliance OR mergers and acquisitions) are value accretive. By the end of the course, perhaps, you will have developed basic understanding about Accounts and Finance – and apply them during analyzing of corporate moves of non-complex levels.

Course Objectives:

- ◆ *To develop an understanding of the three types of financial statements*
- ◆ *To lay foundation for developing skills to interpret Financial Statements*
- ◆ *To create an awareness about strategic cost management & cost analytics*
- ◆ *To appreciate the drivers of corporate value*
- ◆ *To appreciate the financial implications of strategy ideas played out by the corporates*

Pedagogical Methods:

This course is based on mini lectures, case analysis, continuous individual assignments and vivid illustrations. Active participation by students is an important feature of the course.

Study Material

Students will be given one text book as part of the course material. They will also be given a few additional reading materials. It may be noted that these materials should not be considered as exhaustive under any circumstances. List of suggested readings are given in the next few sections & more will be shared at the time of the course.

Primary Teaching Book & Reading Material:

↓ Important → Please carry this FAM book to the classroom for first five weeks ↓

1. Ramachandran, Neelakantan & Ram Kumar Kakani. *Financial Accounting for Management. 4th Edition*, McGraw-Hill Education, 2016. [Henceforth, referred as **FAM**]

↑ Important → Please carry this FAM book to the classroom for first five weeks ↑

2. Ross, Stephen A., Randolph W. Westerfield, Jeffrey Jaffe, Bradford D Jordan and Ram Kumar Kakani. *Corporate Finance. Special Indian Edition 11th Edition*, McGraw Hill Education, 2018. [Henceforth, referred as **FAM**]

Other Suggested Readings:

- ⌘ Ramachandran, Neelakantan & Ram Kumar Kakani. *How to Analyze Financial Statements. Finance Made Easy Series, 2nd Edition*. McGraw Hill, 2013, [Henceforth, referred as AFS]
- ⌘ Ramachandran, Neelakantan & Ram Kumar Kakani. *How to Read a Profit & Loss Statement. Finance Made Easy Series, 2nd Edition*. McGraw Hill, 2013, [Henceforth, referred as PLS]
- ⌘ Ramachandran, Neelakantan & Ram Kumar Kakani. *How to Read a Balance Sheet. Finance Made Easy Series, 2nd Edition*. McGraw Hill, 2013, [Henceforth, referred as BS]
- ⌘ ‘Introduction to Financial Accounting’ by Horngren, Sundem & Elliott
- ⌘ ‘Management Control Systems’ by Govindarajan and Anthony
- ⌘ ‘Strategic Thinking: Explorations around Conflict and Cooperation’ by Saha, Biswatosh and Parthasarathi Banerjee and Ram Kumar Kakani. Sage Publications Pvt., 2011

Other Sources of Financial Information:

The following web based resources have extensive information & data related to Accounting.

- ◆ **Accounting Bodies:** [ICAI](#) and [International Accounting Standards Board](#).
- ◆ **Government & Related Institutional Websites:** [Securities and Exchange Board of India \(SEBI\)](#), [National Stock Exchange \(NSE\)](#), and [Bombay Stock Exchange \(BSE\)](#).
- ◆ **Financial Magazines / Financial Newspaper Websites:** [Business Standard](#), [Hindu Business Line](#), [Financial Express](#), [Economic Times](#), etc.
- ◆ **‘Investors Section’ / ‘Shareholders Section’ of Company Websites:** For instance: [Infosys Ltd](#), [Reliance Industries](#) & [Tata Steel](#).

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 student to present their case/assignment solutions and at other times I will allow students to volunteer to present their work solutions.

Class participation marks will also be based on participation in class discussion, attendance, and being on time.

Plagiarism/Cheating → Students are requested to go through the students manual regarding the rules and regulations related to cases of copying & similar act. Cheating in examinations or assignments will be dealt with severely. Please note that aiding and abetting your batch mates will also be given equal penalties. NO subsequent justifications/ arguments will be entertained.

System of Evaluation:

Method of Evaluation	Course Marks
A) Class Participation	10
B) Take Home Assignments (Weekly Home Work)^	70
C) End-term Examination*^	20
Total	100

Note: ^ Please note that non-submission of take home assignments & weekly home work will lead to 'incomplete' grade being awarded; * indicates that some questions might carry negative marks

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: *However, the above grading pattern is subject to the compliance with Institute's norms (and thus, can be modified).

We are no Gods (i.e., perfect) and therefore there are bound to be 'errors' in estimating the true worth of your answers (and hence, evaluation). However, we promise, evaluation will be unbiased. Also, the 'errors' (if any) should cancel out over the length of the evaluation cycle.

Earlier Session Plan:

Session Nos. (Date)	90-minute Session-wise Plan	Suggested Reading
1 (05 Aug.)	Introduction to Valuation and Value Drivers	Chapter 1 of FAM & Class Discussion Material
2 (18 Aug.)	Balance Sheet	Chapter 2 in FAM & BS Book
3 (18 Aug.)	Balance Sheet (Case Discussion)	Chapter 2 in FAM & BS Book
4 (19 Aug.)	Profit & Loss Account	Chapter 3 in FAM & PLS Book
5 (19 Aug.)	Profit & Loss Account (Case Discussion)	Chapter 3 in FAM & PLS Book
6 (25 Aug.)	Cost Sheet Aspects and CVP Analysis	Separate Material to be emailed
7 (25 Aug.)	Financial Statement Analysis—I	Chapter 7 in FAM + Book AFS

Session Nos. (Date)	90-minute Session-wise Plan	Suggested Reading
8 (26-Aug.)	Financial Statement Analysis—II	Chapter 7 in FAM + Book AFS
9 (01-Sep.)	Cash Flow Statement	Chapter 4 in FAM
10 (01-Sep.)	Cash Flow Statement Analysis	Chapter 4 in FAM
11 (02-Sep.)	Time Value of Money and its link to Valuation	Chapter 4 in CF
12 (02-Sep.)	Investment Criteria	Chapters 5 & 6 in CF
13 (08-Sep.)	Cost of Capital—I	Chapters 13 & 11 in CF
14 (08-Sep.)	Cost of Capital—II	Chapter 13 & 8 in CF
15 (09-Sep.)	Mergers, Acquisitions, and Divestitures with Financial Implications—I	Chapter 29 in CF
16 (09-Sep.)	Mergers, Acquisitions, and Divestitures with Financial Implications—II	Chapters 29 & 30 in CF
17 (15-Sep.)	Comprehensive Case of Financial Analysis of Corporate Strategy	Separate Material to be emailed

Note: _____

- ◆ *Prior reading of the suggested reading material would help in the class discussion and assimilation process.*
- ◆ *The above sequence is tentative (and would be altered based on initial class experience).*
- ◆ *PowerPoint presentations & Excel Sheets: Session wise Pdf files would be e-mailed after the session.*

Revised Session Plan:

Session Nos. (Date)	90-minute Session-wise Plan	Suggested Reading
1 (05-Aug.)	Introduction to Valuation and Value Drivers	Chapter 1 of FAM & Class Discussion Material
2 (18-Aug.)	Balance Sheet	Chapter 2 in FAM & BS Book
3 (18-Aug.)	Balance Sheet (Case Discussion)	Chapter 2 in FAM & BS Book
4 (19-Aug.)	Profit & Loss Account	Chapter 3 in FAM & PLS Book
5 (19-Aug.)	Profit & Loss Account (Case Discussion)	Chapter 3 in FAM & PLS Book
6 (25-Aug.)	Doubt clearing on terminologies and inter-connections of financial statements	Chapter 2, 3 and 7 in FAM

Session Nos. (Date)	90-minute Session-wise Plan	Suggested Reading
7 (25-Aug.)	Financial Statement Analysis – I	Chapter 7 in FAM + Book AFS
8 (26-Aug.)	Financial Statement Analysis – II	Chapter 7 in FAM + Book AFS
9 (26-Aug.)	Doubt clearing on ratio analysis	Chapter 7 in FAM + Book AFS
10 (01-Sep.)	Doubt clearing on capital structure	Portions of Chapter 16 & Chapter 17 of CF
11 (01-Sep.)	Financial Statement Analysis – II	Chapter 7 in FAM + Book AFS
12 (02-Sep.)	Cash Flow Statement & Cash Flow Statement Analysis	Chapter 4 in FAM
13 (08-Sep.)	Cost Sheet Aspects and CVP Analysis	Class notes and portions of CF book related to Noida Toll Bridge Case
14 (08-Sep.)	Time Value of Money and its link to Valuation	Chapter 4 in CF
15 (09-Sep.)	Investment Criteria	Chapters 5 & 6 in CF
16 (09-Sep.)	Cost of Capital	Chapters 8, 13 & 11 in CF
17 (15-Sep.)	Discussion on How Firms Try to Create Corporate Value	Above all

Note:

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- ◆ *The above sequence is tentative (and would be altered based on initial class experience).*
- ◆ *PowerPoint presentations & Excel Sheets: Session-wise Pdf files would be e-mailed after the session.*