Course title: Corporate Finance			
Course code: PPM 122	**No. of credits:** 3	**L-T-P:** 31-11-00	**Learning hours:** 42
Pre-requisite course code and title (if any): NA			
Department: Business Sustainability			
Course coordinator: Prof. Manipadma Datta	**Course instructor:** Prof. Manipadma Datta		
Contact details:			
Course type: Core	**Course offered in:** Semester 2		

Course description:
In this course the students are exposed to the decisions taken by an individual or a business firm, which have financial implications. While decision processes are dealt with the objective of maximization of wealth of shareholders, a focus is kept on sustainability issues.

Course objectives:
The students will be given an overview of the financial system, the ideas of compounding and discounting and the basic risk-return trade-off in finance. They will be given a clear understanding of the financial decision making process. The course will explain the role of finance in corporate strategy, will guide students on resource allocation decisions and will make the students explore how to determine the right balance of debt and equity capital to maximize firm value. The problems that managers may face and the decisions they would need to make will be approached keeping three issues in mind: maximization of wealth, risk-return trade-offs and aspects of sustainability in business.

Course contents

Module	Topic	L	T	P
1	**Module 1:** An introduction to finance Evolution of finance as a discipline The scope of finance function Forms of business organisation The financial decision making	1	0	0
2	**Module 2: Financing decision** Concept of leverages Operating Leverage Financial Leverage EBIT-EPS analysis	2	1	0
3	**Module 3: Concepts of valuation** **(1)Time value of money** **Compounding technique** **Future value** **Discounting techniques** **Present value** **Applications**	2	2	

	<u>(2) Risk and return</u> ▪ Risk & return of a single asset ▪ Risk & return of a portfolio ▪ Measurement of market risk ▪ Relationship between risk & return: The CAPM	2	1	
4	**Module 4: Long term investment decision** **<u>(1) Capital budgeting</u>** **Nature of capital budgeting** **Evaluation techniques** **NPV, IRR, Profitability index methods**	4	2	
	<u>2.Cost of capital</u> **Basic concepts** **Measurement of cost of capital** **Cost of debt** **Cost of equity** **Weighted average cost of capital**	4	2	
5	**Module 5: Capital market** **Capital market efficiency** **Primary and secondary markets** **Organized exchanges in India** **SEBI**	1		
6	**Module 6: Long-term financing** ▪ Equity/ordinary share ▪ Term loans, debentures/bonds/notes ▪ Securitization ▪ Hybrid financing instruments ▪ Lease financing/hire-purchase financing ▪ Venture capital financing ▪ Foreign capital – FDI External commercial borrowings	3	1	
7	**Module7: Financial derivatives** ▪ Introduction to derivatives ▪ Forwards, futures ▪ Options ▪ Profit and payoff from option positions ▪ Valuation of options ▪ Black-Scholes Model ▪ Straddles, Swaps ▪ Currency and interest rate derivatives	5	2	

8	**Module 8: Dividend decision** ▪ Irrelevance of dividends ▪ Relevance of dividends ▪ Determinants of dividend policy ▪ Bonus shares/stock splits	2		
9	**Module 9: An introduction to Infrastructure Financing** ▪ Uniqueness of infrastructure financing ▪ Environment and tax issues ▪ Infrastructure risks ▪ State of infrastructure financing in India	2		
10	**Module 10: Mutual funds** ▪ Organisation ▪ Types of funds ▪ Calculating fund returns	1		
11	**Case Studies**	2		
	Total	31	11	0

Evaluation criteria:

- Assignment/s 20%
- Quizzes 20%
- Minor tests 30%
- Final exam 30%

Learning outcomes: Developing-

A comprehensive understanding of business finance;

A comprehensive idea of sustainability financing and financial sustainability;

Requisite skills needed for financial decision making;

An introductory knowledge about finance markets.

Pedagogical approach:

A combine of class-room teaching and interaction, tutorial sessions and case studies.

Materials:

Suggested readings

1. Pandey, I.M., Financial Management, Vikas Publishing, New Delhi, 10th edition.
2. Chandra, Prasanna, Financial Management: Theory and Practice, Tata McGraw-Hill Publishing Co, New Delhi, 8th edition.

Additional Readings

1. Brealey, Myers and Allen, Principles of Corporate Finance, McGraw-Hill Book Company, 10th edition.

Additional information:

Students are strongly advised to read at least one business news daily like the Economic Times, the Business Standard and the Financial Express.

The following websites may also be visited at regular intervals:

- ✓ www.bseindia.com;
- ✓ www.nseindia.com
- ✓ www.unpri.org

We have the corporate database CAPITALINE PLUS. Students are advised to use it for assignment and other work.

Student responsibilities:

Attendance, feedback, discipline: as per university rules.

Course reviewers:

1. Dr. Madhu Vij, Professor of Finance, FMS, University of Delhi.
2. Dr. S. K. Chaudhury, Director, IPE Global.

Modules

Module-wise Teaching Plan

Module I: Financial Management encompasses the procurement of funds in the most economic and prudent manner and in the most optimum way to maximize returns for shareholders. In addition, it is imperative for businesses to look at sustainability issues. The introductory lecture will focus on an overview of finance as a discipline and procedures and steps to optimize business decisions.

Objectives

1) Look at the evolution of finance as a discipline.
2) Understand the scope of finance as an area of study.
3) Identify the steps in financial decision making.

Module II: One of the most important issues before a manager is to arrange sufficient funds for financing a project. Two sources of finance are Equity and Debt. Each financing mix has a different leverage effect on the earnings and the value of the firm. This module examines the leverage effect of the capital mix and the relationship between capital mix and value of the firm.

Objectives

1) Understanding the concept of leverages
2) Defining operating leverage
3) Defining financial leverage
4) Identifying EBIT and the relationship with EPS

Module III: The concept of ‘Time Value’ of money relates to the fact that money received today is different in its worth from the money receivable at some other time in future. This module looks at the concept of TVM.

The foundation of finance lies in the concept of the risk-return tradeoff. It is commonly understood that the return of an option is related to the risk involved.

Objectives

1) Understand compounding technique to determine future value of present money
2) Understand discounting techniques to determine present value of a future sum.
3) To understand risk and return of a single asset.
4) Understand risk and return of a portfolio
5) Understand the relationship between risk and return.

Module IV: Capital budgeting relates to allocation of funds to different long-term assets. Planning and control of capital expenditures is a major decision area in any organization.

Objectives

1) Understand the nature of capital budgeting
2) Determine the cost of debt and cost of equity

Module V: Corporate firms have an obvious relationship with the capital market. Both, the primary market, as well as the secondary market play a role in the mobilization of funds by a firm. This module will expose students to the capital markets, with an emphasis on the exchanges in India, and the regulations governing them.

Objectives

1) Understand concepts underlying capital market efficiency
2) Understand primary and secondary markets
3) Get an exposure to the organized exchanges in India

Understand the regulatory mechanisms brought about by SEBI

Module VI: One of the most important issues before a manager is to arrange sufficient funds for financing a project. Two sources of finance are Equity and Debt. This module will discuss these sources of finance, as well as the other sources viz. venture capital funding, foreign capital etc..

Objectives

5) Understanding the different sources of long-term finance available to companies
6) Defining differences in debt and equity
7) Discussing lease financing
8) Identifying different sources of foreign capital

Module VII: In the recent past, new concepts have emerged in the area of financial managements. From these, new models and tools have developed for risk management.

Financial Derivatives provide a risk-hedging mechanism in a variety of ways. A manager needs to be aware of these in order to best utilize them for the benefit of the firm.

Objectives

6) Understand futures and forwards.
7) Discuss pricing methods.
8) Discuss payoffs from option positions.
9) Understand methods for valuation of options

Module VIII: Dividends are an important aspect of the shareholders' perspective of the returns from their investment in a firm. Thus the dividend decision is an important decision for the firm. This decision also impacts the market price of the share of a firm, and so the wealth of the shareholder. However, there are differing viewpoints on the relevance of dividend on the value of the firm.

Objectives

3) Understand dividend decision and dividend policy.
4) Understand the relevance of dividend to the value of a firm.
5) Discuss implications of stability of dividends.

Module IX: Over the last two decades project and infrastructure finance have assumed significant importance. Governments world over are increasingly relying public private partnerships for financing infrastructure investments. This module has been designed to expose the students to structuring, financing and evaluation of large infrastructure projects in various sectors and to understand and analyze the risk management framework in infrastructure sector financing

Objectives

1) Understand the uniqueness of infrastructure financing.
2) Understand risks and returns in infrastructure projects.
3) Discuss project evaluation techniques.

Module X: Mutual funds, as a source of investment, have gained ground in the recent past. This module will expose students to the types of funds, and how returns from these funds can be assessed.

Objectives

1) Discuss the organization of mutual funds.

Understand the methods of assessing returns from funds