

**MCM5201 CORPORATEFINANCE**

Course Code	MCM5201	Semester	II
Course Title	CORPORATEFINANCE		
Credits	4	Type	Core

This course shall have 3 lecture hours, 2 practicals, 1 tutorial.

**This is a Skill based, employability based, and entrepreneurship skill based course.**

**Course Objective**

The main objective of the course is to provide the conceptual background for corporate financial analysis from the point of corporate value creation. And also to develop a theoretical framework for understanding and analyzing major financial problems of modern firm in the market environment.

**Learning Objectives**

- To introduce students to financial management and its importance and its applications in business, their relationship with the business environment and the role and functions of chief financial officer.
- To evaluate various financial decisions and its implications on shareholders.
- To make the student understand the basic concept of Operating and Financial Leverage.
- To demonstrate the importance of working capital management and the tools to manage it.
- To give the knowledge about financial analysis of an organization in terms of risk analysis, capital structure approaches.
- To find out the cost for the capital and various dividend theories.

**Course Structure**

**UNIT I:**

**Financial Management:** Meaning, nature and scope of finance; financial goal-profit Vs. Wealth Maximization; Finance functions – investment, financing and dividend decisions.  
**Capital Budgeting:** Nature of investment decisions; Investment evaluation criteria – net present value. Internal rate of return, Profitability index, payback period, accounting rate of return; NPV and IRR comparison; Capital rationing; Risk analysis in capital budgeting, Sustainable finance.

**UNIT II:**

**Cost of Capital:** Meaning and significance of cost of capital: Calculation of cost of debt, preference capital, equity capital and retained earnings; Combined cost of capital (weighted); Cost of equity and CAPM. Operating and Financial Leverage: Measurement of Leverages; Effects of operating and financial leverage on profit; Analysing alternate financial plans; Combined financial and operating leverage.

**UNIT III:**

**Capital Structure Theories:** Traditional and M.M. Hypotheses—without taxes and with taxes; Determining capital structure in practice.

**UNIT IV:**

**Management of Working Capital:** Meaning, significance and types of working capital; Calculating of operating cycle period and estimation of working capital requirements; Financing of working capital; Sources of working capital; Factorings services; Dimensions of working capital management. Management of cash, receivables and inventory.

**UNIT V:**

**Dividend Policies:** Issues in dividend decisions, Walter's model, Gordon's model, MM Hypothesis, dividend and uncertainty, relevance of dividend; Dividend policy in practice; Forms of dividends; Stability in dividend policy; Corporate dividend behavior.

**Practicals**

- Prepare an analytical review on investment evaluation criteria of the NBFCs
- Evaluate the internal rate of return, Profitability index, payback period, accounting rate of return, NPV and IRR of Investment companies.

**Skill**

- Students are able to develop analytical skills on various components of financial statements.
- Students are able to examine the characteristics of various forms of dividend and the stability in dividend policy.
- Students capture understanding of corporate structure

**Learning/Course Outcomes**

- To understand basic concepts and theories of Financial Management.
- To apply the fundamental concepts and tools of finance.
- Understand various theories, policies and practices of dividend.
- Understand the concept, components and importance of working capital.
- Estimate working capital requirement

**Books for Reference:**

1. Aswath Damodaran, (2000), Corporate Finance Theory and Practice: Wiley
2. Brealey R.A., Myers S.C. Principles of Corporate Finance, McGraw Hill.
3. Briham & Ehrhardt (2009), Financial Management-Text & Cases, CENGAGE Learning India (P) Ltd., New Delhi.
4. Chandra, Prasanna (2010), Financial Management, Tata McGraw Hill, Delhi.

5. Chew,D.H,(1999)TheNewCorporateFinance.WhereTheoryMeetsPractice. Jr. McGraw-Hill.Ed.
6. Damodaran A. (1999), Applied Corporate Finance.Wiley&Sons.
7. Hampton,John(2006),FinancialManagement,VikasPublishingHouse,Delhi.
8. Jonathan Berk, Peter Demarzo & Jarrad Harford: Fundamentals of Corporate Finance:Pearson.
9. Khan MY, Jain PK: Financial Management; Tata McGraw Hill, NewDelhi
10. Megginson, W. L. (2001), Corporate Finance Theory.Addison&Wiley,
11. Pandey, I.M: Financial Management, Vikas Publishing House,Delhi
12. Ross S., R.Westerfield, J.Jaffe. Corporate Finance. Fifth Edition. IRWIN-McGraw-Hill.
13. Sheridan Titman, Arthur J Keown & John D Martin: Financial Management Principles and Applications:Pearson.
14. Smith B. (1997), The Modern Theory of Corporate Finance.IRWIN-McGraw-Hill.
15. Stephen A Ross, Randolph W Westerfield, Jeffrey Jaffe, Bradford D Jordan & Ram Kumar Kakani: Corporate Finance:McGrawHill.
16. Van Horne, J.C. and J.M Wachowicz Jr (2008), Fundamentals of Financial Management, Prentice – Hall,Delhi.

**Theory and Problem: - 40:60**