



GUJARAT TECHNOLOGICAL UNIVERSITY

Syllabus for Master of Business Administration, 2nd Semester

Subject Name: **Corporate Finance**

Subject Code: 1529602

With effective
from academic
year 2020-21

1. Learning Outcomes:

Learning Outcome Component	Learning Outcome (Learner will be able to)
Business Environment and Domain Knowledge (BEDK)	<ul style="list-style-type: none"> • <i>Interpret</i> accounting, economic and financial data for planning and decision making in an organization.
Critical thinking, Business Analysis, Problem Solving and Innovative Solutions (CBPI)	<ul style="list-style-type: none"> • <i>Examine</i> the impact of investment decisions on a company's value for a given listed company. • <i>Estimate</i> the cost of each source of capital and combine these costs into a weighted average cost of capital for a company.
Global Exposure and Cross-Cultural Understanding (GECCU)	<ul style="list-style-type: none"> • <i>Compare</i> dividend policies of Indian corporate with globally practiced dividend policies.
Social Responsiveness and Ethics (SRE)	<ul style="list-style-type: none"> • <i>Identify</i> and <i>explain</i> corporate agency conflicts and resolutions.
Effective Communication (EC)	<ul style="list-style-type: none"> • <i>Explain</i> the relationship between the risks of capital investment with the opportunity cost of capital and returns.
Leadership and Teamwork (LT)	<ul style="list-style-type: none"> • <i>Determine</i> the main factors that financial managers should consider when determining a company's financing strategy.

LO – PO Mapping: Correlation Levels:

1 = Slight (Low); 2 = Moderate (Medium); 3 = Substantial (High), “-“= no correlation

Sub. Code: 4529202	PO1	PO2	PO3	PO4	PO5	PO6	PO7	PO8	PO9
LO1: <i>Interpret</i> accounting, economic and financial data for planning and decision making in an organization	2	2	3	1	1	-	-	-	2
LO2: <i>Examine</i> the impact of investment decision on company's value.	3	2	3	-	-	-	-	3	3
LO3: <i>Estimate</i> the cost of each source of capital and combine these costs into a weighted average cost of capital for a company	3	2	3	-	-	-	-	-	3
LO4: <i>Compare</i> dividend policies of Indian corporate with globally	2	2	2	-	3	-	-	-	-



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practiced dividend policies.										
LO5: Identify and explain corporate agency conflicts and resolutions	2	2	1	1	-	2	3	-	-	
LO6: Explain the relationship between the risks of capital investment with the return.	2	1	1	3	1	--	1	1	1	
LO7: Determine the main factors that financial managers should consider when determining a company's financing strategy.	2	2	2	2	-	3	-	1	1	

2. Course Duration: The course duration is of **40 sessions of 60 minutes each.**

3. Course Contents:

Module No:	Module Content	No. of Sessions	70 Marks (External Evaluation)
I	<p>Overview of Financial Management:</p> <ul style="list-style-type: none"> Meaning, Objectives, Scope, Role and Functions of Financial Management (Financial Decisions). Financial Goal - Profit Maximization versus Shareholders' Wealth Maximization. <p>Time value of Money: (theory and numerical)</p> <ul style="list-style-type: none"> Concepts, Compounding, Discounting, Annuities. <p>Sources of Long-Term Finance:</p> <ul style="list-style-type: none"> Introduction to Equity Shares, Preference Shares and Debentures, Term loan. <p>Valuation of Bonds, Preference shares and Equity. (numerical)</p>	10	17



II	<p>Understanding Investment Decisions (Capital Budgeting Decisions):</p> <ul style="list-style-type: none"> • Meaning, Features • Types and Importance of Investment Decisions <ul style="list-style-type: none"> ○ Discounted Cash Flow (DCF) <ul style="list-style-type: none"> ▪ NPV, IRR, MIRR, PI, Discounted Payback ○ Non-Discounted Cash Flow Techniques <ul style="list-style-type: none"> ▪ ARR, Payback period <p>Capital Rationing (theory and numerical)</p> <p>Understanding Dividend Decision:</p> <ul style="list-style-type: none"> • Dividend and dividend policy • Factors affecting dividend payout • Dividend payment models: (theory and numerical) <ul style="list-style-type: none"> ○ Dividend relevance model <ul style="list-style-type: none"> ▪ Walter model ▪ Gordon model ○ Dividend irrelevance model <ul style="list-style-type: none"> ▪ MM model <p>Basics of Decision Tree Analysis (1-level and 2-level) (theory only)</p>	10	18
III	<p>Cost of Capital: (theory and numerical)</p> <ul style="list-style-type: none"> • Significance, Concept of the Opportunity Cost of Capital • Component Costs of Capital - Cost of Debt, Preference Capital and Equity Capital • Weighted Average Cost of Capital (WACC) <p>Leverage: (theory and numerical)</p> <ul style="list-style-type: none"> • Types of Leverage - Operating, Financial and Combined Leverage. • Point of indifference <p>Understanding Financing Decisions (Capital Structure Decisions): (theory and numerical)</p> <ul style="list-style-type: none"> • NI Approach • NOI Approach • MM Theory with and without Taxes 	10	18
IV	<p>Working Capital Management:</p> <ul style="list-style-type: none"> • Concepts of Working Capital. • Operating Cycle. • Determinants of Working Capital. • Estimating Working Capital Needs. (theory and numerical) • Working Capital Finance Policies. <ul style="list-style-type: none"> ○ Matching approach, conservative approach, 	10	17



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	aggressive approach. Cash Management: (theory and numerical) <ul style="list-style-type: none"> • Need for Cash Management. • Cash Management Cycle. • Cash Forecasting through budgeting. • Determining the Optimum Cash Balance under Certainty (Baumol's Model) and Uncertainty (The Miller- Orr Model). Receivables Management: <ul style="list-style-type: none"> • Nature and Goals of Credit Policy • Credit Policy Variables(theory and numerical) 		
V	Application: Select suitable organization and study: <ul style="list-style-type: none"> • The role and functions of Finance department; • Select Scrip or bonds and do the valuation of its Securities; • Study the investment decisions, working capital policy and cash budgeting etc. 	---	(30 marks CEC)

4. Pedagogy:

- ICT enabled Classroom teaching
- Case study
- Practical / live assignment
- Interactive class room discussions

5. Evaluation:

Students shall be evaluated on the following components:

A	Internal Evaluation	(Internal Assessment- 50 Marks)
	• Continuous Evaluation Component	30 marks
	• Class Presence & Participation	10 marks
	• Quiz	10 marks
B	Mid-Semester examination	(Internal Assessment-30 Marks)
C	End –Semester Examination	(External Assessment-70 Marks)

6. Reference Books:

No.	Author	Name of the Book	Publisher	Year of Publication / Edition
1	Prasanna Chandra	Financial Management, theory and Practice	McGraw - Hill	Latest Edition
2	I M Pandey	Financial Management	Vikas	Latest Edition
3	M. Y. Khan and P. K. Jain	Financial Management	McGraw - Hill	Latest Edition



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4	Rajiv Srivastava & Anil Misra	Financial Management	Oxford	Latest Edition
5	Ravi Kishore	Financial Management – Problems and Solutions	Taxmann	Latest Edition
6	P C Tulasiyani	Financial Management	S. Chand	Latest Edition
7	P. V. Kulkarni and B. G. Satyaprasad	Financial Management	Himalaya	14 th Revised Edition
8	Eugene F. Brigham	Financial Management: Theory and Practice	South Western College	14 th Edition
9	Vyuptakesh Sharan	Fundamentals of Financial Management	Pearson	3 rd Edition
10	R. P. Rastogi	Financial Management	Taxmann	Latest Edition
11	V Pattabhi Ram and S D Bala	Strategic Financial Management	Snow white	Latest Edition
12	Dr. J.B. Gupta	Strategic Financial Management	Taxmann	Latest Edition

Note: Wherever the standard books are not available for the topic appropriate print and online resources, journals and books published by different authors may be prescribed.

7. List of Journals / Periodicals / Magazines / Newspapers / Web resources, etc.

1. News Paper: Business Standard, Economic Times, Times of India
2. Journals: Finance India, Global Journal of Finance & Management, Journal of Business & Financial Affairs etc.
3. Websites pertaining to companies, capital market, RBI etc.