



**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**Syllabus for Master of Business Administration (PT), 2<sup>nd</sup> Semester**  
**Subject Name: Corporate Finance**  
**Subject Code: 5529902**

With effect  
from academic  
year 2022-23

**1. Learning Outcomes:**

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

**LO – PO Mapping: Correlation Levels: 1 = Slight (Low); 2 = Moderate (Medium); 3 = Substantial (High), “-“= no correlation**

<b>Sub. Code:</b>	<b>PO1</b>	<b>PO2</b>	<b>PO3</b>	<b>PO4</b>	<b>PO5</b>	<b>PO6</b>	<b>PO7</b>	<b>PO8</b>	<b>PO9</b>
<b>LO1:</b> <i>Interpret</i> accounting, economic and financial data for planning and decision making in an organization	2	2	3	1	1	-	-	-	2
<b>LO2:</b> <i>Examine</i> the impact of investment decision on company's value.	3	2	3	-	-	-	-	3	3
<b>LO3:</b> <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
<b>LO4:</b> <i>Compare</i> dividend policies of Indian corporate with globally practiced dividend policies.	2	2	2	-	3	-	-	-	-
<b>LO5:</b> <i>Identify</i> and explain corporate agency conflicts and resolutions	2	2	1	1	-	2	3	-	-



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<b>LO6:</b> Explain the relationship between the risks of capital investment with the return.	2	1	1	3	1	-	1	1	1
<b>LO7:</b> 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:**

<b>Module No:</b>	<b>Module Content</b>	<b>No. of Sessions</b>	<b>70 Marks (External Evaluation)</b>
<b>I</b>	<p><b>Overview of Financial Management:</b></p> <ul style="list-style-type: none"> <li>• Meaning, Objectives, Scope, Role and Functions of Financial Management (Financial Decisions).</li> <li>• Financial Goal - Profit Maximization versus Shareholders' Wealth Maximization.</li> </ul> <p><b>Time value of Money: (theory and numerical)</b></p> <ul style="list-style-type: none"> <li>• Concepts, Compounding, Discounting, annuities.</li> </ul> <p><b>Sources of Long-Term Finance:</b></p> <ul style="list-style-type: none"> <li>• Introduction to Equity Shares, Preference Shares and</li> <li>• Debentures, Term loan.</li> </ul> <p><b>Valuation of Bonds, Preference shares and Equity.(numerical)</b></p>	10	17
<b>II</b>	<p><b>Understanding Investment Decisions (Capital Budgeting Decisions):</b></p> <ul style="list-style-type: none"> <li>• Meaning, Features</li> <li>• Types and Importance of Investment Decisions</li> </ul> <p><b>Discounted Cash Flow (DCF)</b></p> <ul style="list-style-type: none"> <li>• NPV, IRR, MIRR, PI, Discounted Payback</li> </ul> <p><b>Non-Discounted Cash Flow Techniques</b></p> <ul style="list-style-type: none"> <li>• ARR, Payback period</li> </ul> <p><b>Capital Rationing (theory and numerical)</b></p> <p><b>Introduction to Real Options</b></p> <p><b>Understanding Dividend Decision:</b></p> <ul style="list-style-type: none"> <li>• Dividend and dividend policy</li> <li>• Factors affecting dividend payout</li> <li>• Dividend payment models: <b>(theory and numerical)</b></li> </ul> <p><b>Dividend relevance model</b></p> <ul style="list-style-type: none"> <li>• Walter model</li> <li>• Gordon model</li> </ul>	10	18



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	<p><b>Dividend irrelevance model</b></p> <ul style="list-style-type: none"> <li>• MM model</li> </ul> <p><b>Basics of Decision Tree Analysis (1-level and 2-level) (theory only)</b></p>		
<b>III</b>	<p><b>Cost of Capital: (theory and numerical)</b></p> <ul style="list-style-type: none"> <li>• Significance, Concept of the Opportunity Cost of Capital</li> <li>• Component Costs of Capital - Cost of Debt, Preference Capital and Equity Capital</li> <li>• Weighted Average Cost of Capital (WACC)</li> </ul> <p><b>Leverage: (theory and numerical)</b></p> <ul style="list-style-type: none"> <li>• Types of Leverage - Operating, Financial and Combined Leverage.</li> <li>• Point of indifference</li> </ul> <p><b>Understanding Financing Decisions (Capital Structure Decisions): (theory and numerical)</b></p> <ul style="list-style-type: none"> <li>• NI Approach</li> <li>• NOI Approach</li> <li>• MM Theory with and without Taxes</li> </ul>	10	18
<b>IV</b>	<p><b>Working Capital Management:</b></p> <ul style="list-style-type: none"> <li>• Concepts of Working Capital.</li> <li>• Operating Cycle.</li> <li>• Determinants of Working Capital.</li> <li>• Estimating Working Capital Needs. <b>(theory and numerical)</b></li> </ul> <p><b>Working Capital Finance Policies.</b></p> <ul style="list-style-type: none"> <li>• Matching approach, conservative approach, and aggressive approach.</li> </ul> <p><b><u>Inventory Management</u></b></p> <ul style="list-style-type: none"> <li>• <u>Significance and Objectives,</u></li> <li>• <u>Costs associated with Inventory,</u></li> <li>• <u>Inventory Management Techniques (EOQ),</u></li> <li>• <u>ABC Inventory Control System</u></li> </ul> <p><b>Cash Management: (theory and numerical)</b></p> <ul style="list-style-type: none"> <li>• Need for Cash Management.</li> <li>• Cash Management Cycle.</li> <li>• Cash forecasting through budgeting.</li> <li>• Determining the Optimum Cash Balance under Certainty (Baumol's Model) and Uncertainty (The Miller- Orr Model).</li> </ul> <p><b>Receivables Management:</b></p> <ul style="list-style-type: none"> <li>• Nature and Goals of Credit Policy</li> <li>• Credit Policy Variables<b>(theory and numerical)</b></li> </ul>	10	17



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	<b><u>Working Capital Finance: (theory)</u></b> <ul style="list-style-type: none"> <li>• <u>Trade credit</u></li> <li>• <u>Commercial paper</u></li> <li>• <u>Factoring etc</u></li> </ul>		
<b>V</b>	<b>Practical Application:</b> Select suitable organization and study: <ul style="list-style-type: none"> <li>• The role and functions of Finance department;</li> <li>• Select Scrip or bonds and do the valuation of its Securities;</li> <li>• Study the investment decisions, working capital policy and cash budgeting etc.</li> </ul>	---	(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:

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

**6. Reference Books:**

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.

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
4	Rajiv Srivastava & Anil Misra	Financial Management	Oxford	Latest Edition



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5	Ravi Kishore	Financial Management – Problems and Solutions	Taxmann	Latest Edition
6	P C Tulasiyani	Financial Management	S. Chand	Latest Edition
7	Eugene F. Brigham	Financial Management: Theory and Practice	South Western College	14th Edition
8	Vuptakesh Sharan	Fundamentals of Financial Management	Pearson	3rd Edition
9	R. P. Rastogi	Financial Management	Taxmann	Latest Edition
10	<u>James Van Horne &amp; John Wachowicz,</u>	<u>Fundamentals of Financial Management</u>	<u>Pearson</u>	<u>13<sup>th</sup> Edition</u>
11	<u>Richard Brealey, Stewart Myers and Franklin Allen</u>	<u>Principles of Corporate Finance</u>	<u>Mc Graw Hill</u>	<u>13<sup>th</sup> Edition</u>
12	<u>Richard Brealey and Stewart Myers and Alan Marcus</u>	<u>Fundamentals of Corporate Finance</u>	<u>Mc Graw Hill</u>	<u>10<sup>th</sup> Edition</u>

**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.