



# GUJARAT TECHNOLOGICAL UNIVERSITY

Syllabus for Master of Business Administration, 2<sup>nd</sup> Semester

Subject Name: Corporate Finance (CF)

Subject Code: 4529202

With effective  
from academic  
year 2018-19

## 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"> <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

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><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 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               <ul style="list-style-type: none"> <li>○ Discounted Cash Flow (DCF)                   <ul style="list-style-type: none"> <li>▪ NPV, IRR, MIRR, PI, Discounted Payback</li> </ul> </li> <li>○ Non-Discounted Cash Flow Techniques                   <ul style="list-style-type: none"> <li>▪ ARR, Payback period</li> </ul> </li> </ul> </li> </ul> <p><b>Capital Rationing (theory and numerical)</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> <ul style="list-style-type: none"> <li>○ Dividend relevance model                   <ul style="list-style-type: none"> <li>▪ Walter model</li> <li>▪ Gordon model</li> </ul> </li> <li>○ Dividend irrelevance model                   <ul style="list-style-type: none"> <li>▪ MM model</li> </ul> </li> </ul> </li> </ul> <p><b>Basics of Decision Tree Analysis (1-level and 2-level) (theory only)</b></p>	10	18
<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> <li>• Working Capital Finance Policies.               <ul style="list-style-type: none"> <li>○ Matching approach, conservative approach,</li> </ul> </li> </ul>	10	17



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	aggressive approach.  <b>Cash Management: (theory and numerical)</b> <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> <b>Receivables Management:</b> <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>		
V	Application: 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:

A	<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>Mid-Semester examination</b>	<b>(Internal Assessment-30 Marks)</b>
C	<b>End –Semester Examination</b>	<b>(External Assessment-70 Marks)</b>

#### 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 <sup>th</sup> Revised Edition
8	Eugene F. Brigham	Financial Management: Theory and Practice	South Western College	14 <sup>th</sup> Edition
9	Vyuptakesh Sharan	Fundamentals of Financial Management	Pearson	3 <sup>rd</sup> 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.