



### TEACHING PLAN: Corporate Finance

SCHOOL: ASOM		ACADEMIC SESSION- 2023- 2025	MBA 2 <sup>nd</sup> SEM FOR STUDENTS' BATCH: 2023		
1	Course code	MGTM-204			
2	Course Title	Corporate Finance			
3	Credits	6			
4	Learning Hours	<b>Contact Hours</b>			<b>60</b>
		<b>Assessment</b>			<b>20</b>
		<b>Guided Study</b>			<b>20</b>
		<b>Total hours</b>			<b>100</b>
5	Course Objective	<ol style="list-style-type: none"> <li>1. To acquaint students with the advanced concept of financial management and to develop financial strategies for the organization.</li> <li>2. To provide the learners with a practical understanding of capital budgeting and techniques used to take capital budgeting decisions.</li> <li>3. To make students understand how to manage working capital.</li> <li>4. To make students aware about budgeting and financial policy and corporate strategy.</li> <li>5. To make students exposed to the relationship between risk and return</li> </ol>			
6	Course Outcomes	<ol style="list-style-type: none"> <li>1. CO1: Define the concepts, vital tools, and techniques applicable for financial decision making by a business firm.</li> <li>2. CO2: Explain the functions of Finance in organization and methods in managing funds for business.</li> <li>3. CO3: Apply the concepts of budgeting, working capital, cost of capital including the choice of source of funds.</li> <li>4. CO4: Analyze the practical problems relating to the financing of funds including pricing and dividend theories.</li> <li>5. CO5: Select the methods and techniques for analyzing the data for financial decision making</li> </ol>			
7	<b>Outline syllabus:</b>				
7.01	Unit	Section	<b>Introduction</b>	<b>Reference number</b>	<b>Teaching methods</b>
7.02	Unit I	(a)	Meaning, objectives and scope  <a href="https://onlinecourses.nptel.ac.in/noc22_mg08/preview">https://onlinecourses.nptel.ac.in/noc22_mg08/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec22_mg13/preview">https://onlinecourses.swayam2.ac.in/cec22_mg13/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec21_ge03/preview">https://onlinecourses.swayam2.ac.in/cec21_ge03/preview</a>	TB1 2-5	PPT White Board +PPT
		(b)	conflicts in profit versus wealth or value maximization principle  <a href="https://onlinecourses.nptel.ac.in/noc22_mg08/preview">https://onlinecourses.nptel.ac.in/noc22_mg08/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec22_mg13/preview">https://onlinecourses.swayam2.ac.in/cec22_mg13/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec21_ge03/preview">https://onlinecourses.swayam2.ac.in/cec21_ge03/preview</a>	TB1 7-12	PPT White Board +PPT

		( c )	Time value of money  <a href="https://onlinecourses.nptel.ac.in/noc22_mg08/preview">https://onlinecourses.nptel.ac.in/noc22_mg08/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec22_mg13/preview">https://onlinecourses.swayam2.ac.in/cec22_mg13/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec21_ge03/preview">https://onlinecourses.swayam2.ac.in/cec21_ge03/preview</a>	TB1 17- 19	PPT White Board +PPT
7.03	UnitII	(a)	Definitions Types of Securities, Valuations of Bond, Types of Yield associated with Bond, Valuation of Preference share  <a href="https://onlinecourses.nptel.ac.in/noc22_mg08/preview">https://onlinecourses.nptel.ac.in/noc22_mg08/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec22_mg13/preview">https://onlinecourses.swayam2.ac.in/cec22_mg13/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec21_ge03/preview">https://onlinecourses.swayam2.ac.in/cec21_ge03/preview</a>	TB1 44-46	White Board + PPT
		(b)	Valuations of Equity. Capital budgeting techniques-Net Present Value Method  <a href="https://onlinecourses.nptel.ac.in/noc22_mg08/preview">https://onlinecourses.nptel.ac.in/noc22_mg08/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec22_mg13/preview">https://onlinecourses.swayam2.ac.in/cec22_mg13/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec21_ge03/preview">https://onlinecourses.swayam2.ac.in/cec21_ge03/preview</a>	TB1 47-63	White Board + PPT
		(c)	Internal Rate of Return Method. Cost of Capital-equity and debt.  <a href="https://onlinecourses.nptel.ac.in/noc22_mg08/preview">https://onlinecourses.nptel.ac.in/noc22_mg08/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec22_mg13/preview">https://onlinecourses.swayam2.ac.in/cec22_mg13/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec21_ge03/preview">https://onlinecourses.swayam2.ac.in/cec21_ge03/preview</a>	TB1 75-77	White Board + PPT
7.04	Unit III	(a)	cost of individual source of finance, cost of debenture, cost of preference share, cost of equity, cost of Term loan  <a href="https://onlinecourses.nptel.ac.in/noc22_mg08/preview">https://onlinecourses.nptel.ac.in/noc22_mg08/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec22_mg13/preview">https://onlinecourses.swayam2.ac.in/cec22_mg13/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec21_ge03/preview">https://onlinecourses.swayam2.ac.in/cec21_ge03/preview</a>	TB1 78-176	White Board + PPT
		(b)	weighted cost of capital, theory of capital structure, traditional approach.  <a href="https://onlinecourses.nptel.ac.in/noc22_mg08/preview">https://onlinecourses.nptel.ac.in/noc22_mg08/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec22_mg13/preview">https://onlinecourses.swayam2.ac.in/cec22_mg13/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec21_ge03/preview">https://onlinecourses.swayam2.ac.in/cec21_ge03/preview</a>	TB1 187-204	White Board + PPT
		( c )	Net income, Net operating Income, MM approach.  <a href="https://onlinecourses.nptel.ac.in/noc22_mg08/preview">https://onlinecourses.nptel.ac.in/noc22_mg08/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec22_mg13/preview">https://onlinecourses.swayam2.ac.in/cec22_mg13/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec21_ge03/preview">https://onlinecourses.swayam2.ac.in/cec21_ge03/preview</a>	TB1 75-109	White Board + PPT

	Unit – IV	(a)	Calculating risk and return for individual securities, Beta estimation,  <a href="https://onlinecourses.nptel.ac.in/noc22_mg08/preview">https://onlinecourses.nptel.ac.in/noc22_mg08/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec22_mg13/preview">https://onlinecourses.swayam2.ac.in/cec22_mg13/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec21_ge03/preview">https://onlinecourses.swayam2.ac.in/cec21_ge03/preview</a>	TB1 116-123	White Board +PPT
		(b)	overview of capital market theory, Characteristic line  <a href="https://onlinecourses.nptel.ac.in/noc22_mg08/preview">https://onlinecourses.nptel.ac.in/noc22_mg08/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec22_mg13/preview">https://onlinecourses.swayam2.ac.in/cec22_mg13/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec21_ge03/preview">https://onlinecourses.swayam2.ac.in/cec21_ge03/preview</a>	TB1 462-466	White Board +PPT
		(c)	Securities market line.  <a href="https://onlinecourses.nptel.ac.in/noc22_mg08/preview">https://onlinecourses.nptel.ac.in/noc22_mg08/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec22_mg13/preview">https://onlinecourses.swayam2.ac.in/cec22_mg13/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec21_ge03/preview">https://onlinecourses.swayam2.ac.in/cec21_ge03/preview</a>	TB1 467-469	White Board +PPT
7.06	Unit V	(a)	Management of Working Capital, Cash management, Inventory Management, Receivables Management, working capital leverage.  <a href="https://onlinecourses.nptel.ac.in/noc22_mg08/preview">https://onlinecourses.nptel.ac.in/noc22_mg08/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec22_mg13/preview">https://onlinecourses.swayam2.ac.in/cec22_mg13/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec21_ge03/preview">https://onlinecourses.swayam2.ac.in/cec21_ge03/preview</a>	TB1 656-697	White Board +PPT
		(b)	Leverage- operating, financial and composite leverage, Dividend policy.Grahm-Dodd model  <a href="https://onlinecourses.nptel.ac.in/noc22_mg08/preview">https://onlinecourses.nptel.ac.in/noc22_mg08/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec22_mg13/preview">https://onlinecourses.swayam2.ac.in/cec22_mg13/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec21_ge03/preview">https://onlinecourses.swayam2.ac.in/cec21_ge03/preview</a>	TB1 508-522	White Board +PPT
		(c)	Walter Model, Gordon model, MM model.  <a href="https://onlinecourses.nptel.ac.in/noc22_mg08/preview">https://onlinecourses.nptel.ac.in/noc22_mg08/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec22_mg13/preview">https://onlinecourses.swayam2.ac.in/cec22_mg13/preview</a> <a href="https://onlinecourses.swayam2.ac.in/cec21_ge03/preview">https://onlinecourses.swayam2.ac.in/cec21_ge03/preview</a>	TB 1 634-646	White Board +PPT
8	<b>Course Evaluation</b>				
8.10	<b>CA: 40%</b>				
8.1	<b>Attendance</b>	5%			
8.1.	<b>Assignmien</b>	20%			

2	t	
8.1.3	Theory	15%
8.1.4	Class test	15%
8.1.5	Presentation	5%
8.1.6	Any other	--
8.2	MTE(IA)	20%
8.3	<b>End-term examination: 40%</b>	
9	<b>Text Books &amp; References</b>	
9.1	Text books	TB1. I. M. Pandey, (2010): Financial Management, Vikas Publishing House
9.2	References	<ul style="list-style-type: none"> <li>• RB1. M Y Khan &amp; P K Jain, Financial Management- Text, problems and cases, Tata McGraw Hills</li> <li>• RB2. Dr. R. P. Rustagi (2011): Financial Management- Theory, concept and problems, Taxman Publications.</li> </ul>
9.3	Video References	<a href="https://www.youtube.com/watch?v=kTCTqoBYPIM">https://www.youtube.com/watch?v=kTCTqoBYPIM</a> <a href="https://www.youtube.com/watch?v=d8sjsVl2_SI">https://www.youtube.com/watch?v=d8sjsVl2_SI</a> <a href="https://www.youtube.com/watch?v=jgpYxaKr4sY&amp;list=PL2k3wOJ4OEzDwr19Zb92oVX9MvwKTU1MR">https://www.youtube.com/watch?v=jgpYxaKr4sY&amp;list=PL2k3wOJ4OEzDwr19Zb92oVX9MvwKTU1MR</a> <a href="https://www.youtube.com/watch?v=QcD2GcP0Qa4&amp;list=PL2k3wOJ4OEzDwr19Zb92oVX9MvwKTU1MR&amp;index=2">https://www.youtube.com/watch?v=QcD2GcP0Qa4&amp;list=PL2k3wOJ4OEzDwr19Zb92oVX9MvwKTU1MR&amp;index=2</a> <a href="https://www.youtube.com/watch?v=btrmOdn5yKw&amp;list=PL2k3wOJ4OEzDwr19Zb92oVX9MvwKTU1MR&amp;index=3">https://www.youtube.com/watch?v=btrmOdn5yKw&amp;list=PL2k3wOJ4OEzDwr19Zb92oVX9MvwKTU1MR&amp;index=3</a> <a href="https://www.youtube.com/watch?v=1B5GMQ6FLMo&amp;list=PL2k3wOJ4OEzDwr19Zb92oVX9MvwKTU1MR&amp;index=4">https://www.youtube.com/watch?v=1B5GMQ6FLMo&amp;list=PL2k3wOJ4OEzDwr19Zb92oVX9MvwKTU1MR&amp;index=4</a>

### Mapping of Outcomes v. Topics

Outcome no. → Syllabus topic ↓	1	2	3	4	5
Paper Code. Unit I (a)	√				
Paper Code. Unit I (b)	√				
Paper Code. Unit I (c)	√				
Paper Code. Unit II (a)		√			
Paper Code. Unit II (b)		√			
Paper Code. Unit II (c)		√			
Paper Code. Unit III (a)			√		
Paper Code. Unit III (b)			√		
Paper Code. Unit III (c)			√		
Paper Code. Unit IV (a)				√	
Paper Code. Unit IV (b)				√	
Paper Code. Unit IV (c)				√	
Paper Code. Unit V (a)					√
Paper Code. Unit V (b)					√
Paper Code. Unit V (C)					√

## QUESTION BANK

---

**Each question carry 4 Marks.**

- Q1 .Define financial management.
- Q2. Low is Financial Planning concerned with future?
- Q3 What is financial leverage?
- Q4 What is scrip dividend?
- Q5 Compare capital and capitalization.
- Q6 What is factoring?
- Q7 What is inventory turnover ratio?
- Q8. Define finance and describe its major areas – financial management / managerial finance / corporate finance and financial services.
- Q9. Differentiate financial management from the closely – related disciplines of accounting and economics.
- Q10. Describe the scope of financial management and identify the key activities of the financial manager.
- Q11. Explain why wealth / value maximization, rather than profit/ EPS maximisation is the global of financial management and how economic value added EVA and focus shareholders relate to its achievement and sum marise the major objectives of corporate finance by Indian corporates.
- Q12. Discuss the agency problem / issue and measure to resolve it.
- Q13. Outline the organisation of finance function in India.
- Q14 Outline the emerging role of finance managers in India.
- Q15 Define capital budgeting.
- Q16 What is EOQ?
- Q17 What is Return on Investment?
- Q18. List out any four key functional areas of Financial Management.
- Q19. How do you compute the Present Value (PV) of a Single Cash Flow?
- Q20. Narrate the formula for calculating the Cost of Equity using the CAPM Approach.
- Q 21. What is IRR and what are the uses of IRR in Project Management?
- Q22. How does an Operating Leverage (OL) differ from Financial Leverage (FL)?
- Q23. List out any two assumptions of 'M M' Theory.
- Q24. How do you arrive at the Reorder Point in Inventory management?
- Q25. How do you compute EOQ?
- Q26. What is meant by Green Shoe Option?

- Q27. How does 'Preference' Shares differ from 'Equity' Shares?
- Q28. Generally individuals show a time preference for money, Give reasons for such a preference.
- Q29. Why is the consideration of time important in financial decision making? How can time value be adjusted?
- Q30. What is annuity due? How can you calculate the present and future values of an annuity due , Illustrate.
- Q31. Explain the mechanics of calculating the present value of cash flows.
- Q32. Is the adjustment of time relatively more important for financial decisions with short range implications or for decisions with long range implications? Explain.

**Each question carry Ten marks.**

1. Define dividend policy. Why do investors want dividends? Explain the different types of dividends.
2. Explain financial plan. What are its main ingredients? Explain the characteristics of sound financial plan.
3. Explain the EMT- EPS analysis and various factors affecting the capital structure decision of the organization.
4. Describe the need and determinants of working capital in business.
5. A proforma cost sheet of company provides the following particulars:
6. Elements of cost Material 40%, Direct labour 20%, Overheads 20%
7. It is proposed to maintain a level of activity of 2,00,000 units.
8. Selling price is Rs. 12 per unit.
9. Raw materials are expected to remain in stores for an average period of one month. Materials will be in process, on averages half a month.
10. Finished goods are required to be in stock for an average period of one month.
11. Credit allowed to debtors is 2months.
12. Credit allowed by suppliers is one month.
13. You are required to prepare a statement of working capital requirements.
14. A company is considering an investment proposal to purchase a machine costing Rs. 5.00.000. The machine has a life expectancy of 5 years and no salvage value.  
Company's tax rate
15. is 40%. It uses straight line method for providing depreciation. The estimated cash flows before tax after depreciation from the machine are as follows:
- 16.16.

Year	CFBT	PV@10%
1	1,20,000	0.909
2	1,40,000	0.826
3	1,80,000	0.751
4	2,00,000	0.683
5	3,00,000	0.621

Calculate: (a) Pay Back Period (b) Average Rate of Return (c) Present Value and Profitability Index @ 10% discount rate.

17. (i) Explain the stages & steps involved in the modern approaches to Financial Management.  
(ii) Mr. Raju aspires to buy a house at Bangalore after five years from now, at an expected cost of Rs. 40 Lakhs. How much annual savings should Raju make, if his savings earn 11% compound Interest?

OR

Explain the various types of Risks that prevail, while making Financial decisions by Firms.

(6) (ii) M/S. Marutham Investment Bond 2013 was issued in January 2014, with a maturity period of 2 years. With a Coupon payment of 7% per annum made every 6 months with Face value of Rs.100. What is the YTM for the bond, if the prevailing market price was Rs. 84 as at January 2014?

18. Explain the key techniques adopted by Firms in Capital Budgeting process. (ii) Skylax Co is contemplating the following Projects A & B as detailed below. Calculate the NPV assuming at 10% discount rate. And IRR of both the projects and suggest which project is more feasible? Year -> 0 1st year 2nd year 3rd year Project - A Rs. 40,000 Rs. 17,000 Rs. 17,000 Rs. 41,000 Project - B Rs. 48,000 Rs. 22,000 Rs. 22,000 Rs. 23,000.
19. Explain the three approaches for designing and determining a Firm's Capital Structure, with suitable example illustrations for each approach.
20. Calculate the Operating Leverage, Financial Leverage & Combined Leverage for a Firm using the following information:- Sales 60,000 Units at Rs. 10 per unit; Variable cost at Rs. 4 per unit; The Fixed Cost is Rs. 2,00,000; Also 10% Debentures of Rs. 3,00,000 wereraised by the firm.

21. (i) Explain the determinants of Working Capital for firms. (ii) Explain the key functions of a Factoring Services Firm.
22. Explain the following with suitable examples wherever necessary: (i) Lease Vs. Hire Purchase (use a table to compare) (ii) Methods for floating New Issues by Firms in Primary market.
23. A premier Car manufacturing Firm in Chennai has future plans to enter into new business say in Hospitality Sector in 2017 for building Premier Hotels at all metros of southern states at an estimated project cost of Rs.580 Crores. Now, The Firm has approached you to suggest them the options for mobilizing long term sources of Finance. The Firm can manage around 40% of the total project Cost from its own funds and other credit sources but the balance has to be mobilized from other sources say through Shares & Debentures/Bonds. Now, In your assumed role as financial advisor, you are required to design, prepare and present a Comprehensive Report to the above firm, duly incorporating your suggestions on the various options and methods for raising finance through Shares (various types) and Debentures / Bonds (various types). The report must also suggest action steps the firm should take in the above exercise and each of your suggestion must be justified with valid points. Any required data can be assumed but the same has to be mentioned in your report.
24. Assume that you have a lucrative Business idea which is a high risk Venture Project requiring around Rs.120 Crores for its execution. With this idea as your dream Project, you have approached a Nationalized bank near Chennai, for credit facilities for your Venture for Seed capital as well as later stage financing and the bank requires you to submit a Project Report on your proposed Venture, in next two weeks. Now prepare a suitable Project Report to be submitted to the bank with your dream project as the proposed venture, duly incorporating the following: Name, nature & description of the Venture, TL & WC requirements, details of sourcing, marketing facilities arranged, risks anticipated, feasibility & viability calculations & other necessary details, in detail. You may assume a few data but the same has to be mentioned in your project report.

### **PROJECTS (To be given to group of students)**

- 
- (1) Appraisal on the impact of effective credit management on the profitability of commercial banks.



- (2) The study of the impact of universal banking in financial system.
- (3) The role of commercial banks in financing agriculture co- operative societies.
- (4) Effective of Financial leverage on company performance.