

<b>Course title: Corporate Finance</b>				
<b>Course code: PPM 122</b>		<b>No. of credits: 3</b>	<b>L-T-P: 31-11-00</b>	<b>Learning hours: 42</b>
<b>Pre-requisite course code and title (if any): NA</b>				
<b>Department:</b> Department of Business and Sustainability				
<b>Course coordinator:</b>			<b>Course instructor:</b>	
<b>Contact details:</b>				
<b>Course type:</b> Core			<b>Course offered in:</b> Semester II	
<b>Course description:</b> In this course the students are exposed to the decisions taken by an individual or a business firm, which have financial implications. While decision processes are dealt with the objective of maximization of wealth of shareholders, a focus is kept on sustainability issues.				
<b>Course objectives:</b> The students will be given an overview of the financial system, the ideas of compounding and discounting and the basic risk-return trade-off in finance. They will be given a clear understanding of the financial decision-making process. The course will explain the role of finance in corporate strategy, will guide students on resource allocation decisions and will make the students explore how to determine the right balance of debt and equity capital to maximize firm value. The problems that managers may face and the decisions they would need to make will be approached keeping three issues in mind: maximization of wealth, risk-return trade-offs and aspects of sustainability in business.				
<b>Course contents</b>				
<b>Module</b>	<b>Topic</b>	<b>L</b>	<b>T</b>	<b>P</b>
1	<b>An introduction to finance</b> Evolution of finance as a discipline The scope of finance function, Forms of business organization, The financial decision making	1	0	0
2	<b>Financing decision</b> Concept of leverages, Operating, Leverage Financial Leverage, EBIT-EPS analysis	2	1	0
3	<b>Concepts of valuation</b> (1) <u>Time value of money</u> Compounding technique Future value Discounting techniques Present value Applications	2	2	
	(2) <u>Risk and return</u> ▪ Risk & return of a single asset ▪ Risk & return of a portfolio ▪ Measurement of market risk ▪ Relationship between risk & return: The CAPM	2	1	

4	<b>Module 4: Long term investment decision</b> (1) <u>Capital budgeting</u> Nature of capital budgeting Evaluation techniques NPV, IRR, Profitability index methods	4	2	
	(2) <u>Cost of capital</u> Basic concepts Measurement of cost of capital Cost of debt Cost of equity Weighted average cost of capital	4	2	
5	<b>Capital market</b> Capital market efficiency Primary and secondary markets Organized exchanges in India SEBI	1		
6	<b>Long-term financing</b> <ul style="list-style-type: none"> <li>▪ Equity/ordinary share</li> <li>▪ Term loans, debentures/bonds/notes</li> <li>▪ Securitization</li> <li>▪ Hybrid financing instruments</li> <li>▪ Lease financing/hire-purchase financing</li> <li>▪ Venture capital financing</li> <li>▪ Foreign capital – FDI External commercial borrowings</li> </ul>	3	1	
7	<b>Financial derivatives</b> <ul style="list-style-type: none"> <li>▪ Introduction to derivatives</li> <li>▪ Forwards, futures</li> <li>▪ Options</li> <li>▪ Profit and payoff from option positions</li> <li>▪ Valuation of options</li> <li>▪ Black-Scholes Model</li> <li>▪ Straddles, Swaps</li> <li>▪ Currency and interest rate derivatives</li> </ul>	5	2	
8	<b>Dividend decision</b> <ul style="list-style-type: none"> <li>▪ Irrelevance of dividends</li> <li>▪ Relevance of dividends</li> <li>▪ Determinants of dividend policy</li> <li>▪ Bonus shares/stock splits</li> </ul>	2		
9	<b>An introduction to Infrastructure Financing</b> <ul style="list-style-type: none"> <li>▪ Uniqueness of infrastructure financing</li> <li>▪ Environment and tax issues</li> <li>▪ Infrastructure risks</li> <li>▪ State of infrastructure financing in India</li> </ul>	2		
10	<b>Mutual funds</b> <ul style="list-style-type: none"> <li>▪ Organisation</li> <li>▪ Types of funds</li> <li>▪ Calculating fund returns</li> </ul>	1		
11	<b>Case Studies</b>	2		
	<b>Total</b>	31	11	0

**Evaluation criteria:**

- Test 1: Assignment/s 20%
- Test 2: Quizzes 20%
- Test 3: Written 30%
- Test 4: Written 30%

**Learning Outcomes:**

Developing –

A Comprehensive understanding of business finance;

A comprehensive idea of sustainability financing and financial sustainability;

Requisite skills needed for financial decision making;

An introductory knowledge about finance markets.

**Pedagogical approach:**

A combine of class-room teaching and interaction, tutorial sessions and case studies.

**Materials:****Suggested readings**

1. Pandey, I.M., Financial Management, Vikas Publishing, New Delhi, 10<sup>th</sup> edition.
2. Chandra, Prasanna, Financial Management: Theory and Practice, Tata McGraw-Hill Publishing Co, New Delhi, 8<sup>th</sup> edition.

**Additional Readings**

1. Brealey, Myers and Allen, Principles of Corporate Finance, McGraw-Hill Book Company, 10<sup>th</sup> edition.

**Additional information:**

Students are strongly advised to read at least one business news daily like the Economic Times, the Business Standard and the Financial Express.

The following websites may also be visited at regular intervals:

- [www.bseindia.com](http://www.bseindia.com);
- [www.nseindia.com](http://www.nseindia.com)
- [www.unpri.org](http://www.unpri.org)

We have the corporate database CAPITALINE PLUS. Students are advised to use it for assignment and other work.

**Student responsibilities:**

Attendance, feedback, discipline: as per university rules.

**Prepared by:** Manipadma Datta

**Course Reviewers:**

1. Dr. Madhu Vij, Professor of Finance, FMS, University of Delhi.
2. Dr. S. K. Chaudhury, Director, IPE Global.