

COURSE TITLE	CORPORATE FINANCE
COURSE CODE	05MF0104
COURSE CREDITS	4

Objective:

- 1 To understand about financial planning as an individual and as a Corporate Level.
- 2 To impart a thorough understanding about Concept of Project Management and how to evaluate the Project.
- 3 To understand about Capital Financing and different capital structure.
- 4 To learn about Merger & Acquisition and its process.
- 5 To impart a thorough understanding of how corporate entities know about their sources of funds and application of funds.

Course Outcomes: After completion of this course, student will be able to:

- 1 Empowering students with a holistic grasp of financial planning, corporate finance principles, capital investment, financing strategies, finance manager responsibilities, and long/short-term finance sourcing
- 2 Enabling students to discern between projects and programs, appreciate the crucial role of project management, explore diverse project evaluation techniques such as NPV, IRR, PI, and Payback Period, and master practical implementation using Excel
- 3 Empowering students with core knowledge of capital financing, including fund-raising mechanisms and capital structure concepts, unraveling dividend declaration processes and the factors shaping dividend decisions, and providing hands-on experience in analyzing dividend policies and leverage within the framework of Indian companies
- 4 Equipping students with a comprehensive understanding of mergers and acquisitions, including types and differences, delving into leveraged buyouts (LBOs) with real-world case studies, and providing hands-on experience in merger calculations
- 5 Students will be able to Explain and be able to communicate the nature of corporate finance in an academic or a business forum. Apply skills in evaluating capital budgeting projects by using different methods (NPV, IRR, PI). Understand capital structure and outline the main factors that financial managers should consider when determining a company's financing strategy.

Pre-requisite of course: Basic Knowledge about Finance & Accounting

Teaching and Examination Scheme

Theory Hours	Tutorial Hours	Practical Hours	ESE	IA	CSE	Viva	Term Work
2	0	4	50	30	20	0	50

Contents : Unit	Topics	Contact Hours
1	Fundamentals of Corporate Finance & Project Management Introduction of Corporate Finance, Scope & Importance., Overview of Corporate Finance, Capital Financing, Capital Investment, Dividends and Return on Capital, Time Value of Money concept with Practical, Long Term & Short-Term sources of finance, Goal of Financial Management and Role of Finance Manager., Introduction about Project Management, its importance, characteristic, success point of Project Management., Difference between Project and Program, Different Techniques like NPV, IRR and PI for evaluating the project. (with practical), Terminal Value	15
2	Capital Financing, Mergers & Acquisitions Capital Financing Overview, Capital Structure Concept, Equity Financing, Leverage, Cost of Capital, Cost of Equity with Practical, Cost of Preference Capital, Cost of Retained Earning, Weighted Average Cost of Capital (with Practical), Dividend Decision, Walter Model and Gordon Model with Practical., Difference between Bonus shares and Right Shares., Introduction to M&A; Success Rate, why do they occur, Characteristics and Types of Mergers. Common Takeover Tactics and Defenses., M&A Process, Planning on Developing Business, Acquisition Plan, Implementation and Integration. Discounted Cash Flow Valuation method, Relative Valuation Method. (With Practical)., Application of Financial Modelling Techniques to M&A, Analyzing privately held Companies, Deal Structuring. Financing Transactions, Private Equity, Hedge Funds, LBOs, Joint Ventures., Cross Border Mergers, Issues to Consider when Structuring a Deal.	15
Total Hours		30

Suggested List of Experiments:

Contents : Unit	Topics	Contact Hours
1	<p>Unit 1</p> <p>Suppose a firm borrows Rs. 10,000/- at 10% and the loan is to be repaid in three equal yearly investments (EYI) payable at the end of each of the next three years. The bank charges a 10% interest rate on the balance that is outstanding at the beginning of each year. What is the amount of EYI? And also prepare Loan Amortization Schedule., Ms. Kusum has retired recently. She received Rs. 5 lakh as her retirement benefits, which she had invested in a bank at 15% rate of interest. If she expects to live independently for another 15 years, how much money she can withdraw at the end of every year so as to leave a nit balance in her account at the end of maturity?, Mr. X deposits Rs. 10,000/- annually in a bank for 5 years @ 10% p.a. What will be the value of this annuity at the end of 5 years? Also show it on time line., A company is considering two mutually exclusive projects. Both require an initial cash outlay of Rs. 10,000/- each and have a life of 5 years. The company's required rate of return is 10% and pays tax at 50%. The project will be depreciated on a straight-line basis. The Profit Before Depreciation and Tax expected to be generated by the project are as follows. Calculate for each project (i) The Pay Back Period (ii) The Accounting Rate of Return (Return on Original Investment) (iii) NPV (iv) PI Which Project should be accepted & why?, A Ltd. Is considering the purchase of new machine. Two alternative machines "A" and "B" have been suggested each costing Rs. 2,00,000/- each. The Profits after taxes for the different years are given as follows Calculate NPV and state which alternative is preferable? Cost of capital 10%., Shri Vinayak Enterprise is considering the purchase of New Machine. Two Alternative machines "A" and "B" have been suggested each costing Rs. 20,000/- and Rs. 28,000/- respectively. The Profit after depreciation and taxes for the different years are given as follows. Depreciation is provided under the straight-line method. Calculate the Discounted Pay Back Period and state which machine is better., A Project Cost Rs. 5,00,000/- and yields annually a profit of Rs. 80,000/- after Depreciation at 12% p.a. but before tax 50%. Calculate Pay Back Period., HVM Ltd. Considers the purchase of one of the two machines. As the following data was developed The expected rate of return for the company is 16%. Both the machines have a life of five years and will not have any salvage value. The company is in the 40% tax brad. You are required to calculate NPV and PI Index and suggest the most profitable machine</p>	30

Suggested List of Experiments:

Contents : Unit	Topics	Contact Hours
2	<p>Unit 2</p> <p>A firm has sale of Rs.10,00,000/- , variable cost of Rs. 7,00,000/- and fixed costs of Rs. 2,00,000/- and debt of Rs. 5,00,000/- at 10% rate of interest. What are the DOL, DFL & DCL?, The Share capital of a company is Rs. 10,00,000/- with the shares of face value of Rs. 50. The company has debt capital of Rs. 5,00,000/- at 10% rate of interest. The sales of the firm are 3,00,000 units per annum at selling price of Rs. 5 per unit and variable cost per unit Rs. 3. The operating fixed cost amount to Rs. 2,00,000/-. Tax bracket is 35%. Find out DOL, DFL & DCL., Continue with above sum, If the sales increase by 10%, calculate: DOL & DFL at two levels., If $K_e=14\%$, $E= Rs. 18$, D/P Ratio = 40%, $r = 15\%$, Calculate Value of Share of Nile Ltd. According to Gordon Model., Continue with above sum, if D/P Ratio is 60%, Calculate Value of Share of Nile Ltd. According to Gordon Model., Calculate the Value of Share. (Walter Model) The Earning per share of a company are Rs. 20. The market rate of discount applicable to the company is 15%. Retained earnings can be employed to yield a return is 13%. If company is considering a pay-out of 10%, 30% and 60%, find out the value of share., Based on the following information of Gypsy Foods Ltd., Earnings per Share Rs.20 Cost of Equity 14% Rate of return on investment 12% Find out Value of share, as per Gordon Model, if a) The entire earnings are paid out as dividends. b) The retention ratio is 25% c) The retention ratio is 40% d) The retention ratio is 50% e) The retention ratio is 75% f) The retention ratio is 100%, Consider the firm X Limited. Estimated equity related post-tax cash flow $CF(X)_t$ of X Limited are as follows: Year 1 2 3 4 5 $CF(X)_t$ 100 120 136 148 160 After five years, $CF(X)_t$ will grow at a compound rate of 5% per annum. Calculate NPV of the merger Proposal., Demonstrate Merger & Acquisition with Power Point Presentation., Define Horizontal Merger with example., Explain Merger Analysis in the value Creation Framework.</p>	30
Total Hours		60

Textbook :

- 1 Corporate Finance: Theory and Practice, Aswath Damodaran, John Wiley & Sons, 2021

References:

- 1 Principles of Corporate Finance, Principles of Corporate Finance, Richard A. Brealey, Stewart C. Myers, and Franklin Allen, McGraw-Hill Education, 2019
- 2 Corporate Finance, Corporate Finance, Jonathan Berk and Peter DeMarzo, Pearson, 2019
- 3 Applied Corporate Finance, Applied Corporate Finance, Aswath Damodaran, Wiley, 2014

Suggested Theory Distribution:

The suggested theory distribution as per Bloom's taxonomy is as follows. This distribution serves as guidelines for teachers and students to achieve effective teaching-learning process

Distribution of Theory for course delivery					
Remember / Knowledge	Understand	Apply	Analyze	Evaluate	Higher order Thinking / Creative
10.00	20.00	25.00	25.00	10.00	10.00

Instructional Method:

- 1 Board work
- 2 PPT
- 3 Demo

Supplementary Resources:

- 1 www.investopedia.com/terms/c/corporatefinance.asp
- 2 <https://corporatefinanceinstitute.com/>