

COURSE: Advanced Finance (Module II in AAF course)

Credits	2.0
Faculty Name	Prof. Soumya G Deb
Program	EX- MBA-Full time
Academic Year and Term	2015-16 batch Term -3

1. Introduction

Course Description:

The basic course in financial-management (Second module in FRM course) has already introduced you to valuation principles, bond and stock valuation, risk and return, capital asset pricing model, cost of capital and rudiments of capital-budgeting. In this advanced course in finance, you will be introduced to alternatives to CAPM, capital-budgeting for levered firms, risk analysis and advanced issues in capital budgeting, basic theories of capital structure, , dividend policy, and short-term financial-management (mainly cash management, inventory management, and credit management) and basics of alternative financing mechanisms like Leasing.

Welcome to the course!

2. Student Learning Outcomes : At the end of the course the students should

- **Be able to :** Understand the basics of multifactor models and APT.
- **Be able to :** understand the basics of capital structure theory and its implications for cost of capital for taking a capital budgeting decision
- **Be able to** understand the nuances of capital budgeting for a levered firm
- **Be able to** evaluate alternative techniques for analyzing project opportunities and budgeting capital
- **Be able to** understand the basic issues in connection with dividend policy.
- **Be able to** understand the issues with working capital management.
- **Be able to** understand the basics of leasing as an alternate financing route.

3. Required Materials :

a) Text :

Fundamentals of Corporate Finance by Ross, Westerfield and Jaffe –latest Edition, published by Tata Mcgraw Hill

b) Reference Book:

- Financial Management: Theory and Practice –11th Edition by Brigham and Ehrhardt, Thomson India edition
- Principles of Corporate Finance - 8th Edition, by Brealey, Myers, Allen and Mohanty, Special Indian Edition, Tata Mcgraw Hill,

c) Reading Materials as and when made available in the class.

d) Calculator: You will typically need a calculator that can handle exponents (i.e., that has a “y^x”-type key).

4.) Tentative Session Plan:

<u>Session</u>	<u>Topics Covered</u>
1,2,3,4,5	Capital Structure Theory and cost of capital <ul style="list-style-type: none"> • Cost of Capital advanced issues • MM-I • MM-II • Pecking Order
6-7-8-9	Capital Budgeting for the levered firm <ul style="list-style-type: none"> • FCF approach • APV approach • CCF approach • FTE approach
10	Dividend Policy

11-12	<p>Working capital Management</p> <ul style="list-style-type: none"> • Inventory management • Cash management • Credit management
13-14	<ul style="list-style-type: none"> • Leasing

5. Evaluation components : The evaluation process is divided into three components.

- i) **Midterm : 40%**
- ii) **Class participation: 20%** This could be comprised of attendance, response and overall positive demeanor in class and case presentations. Your active participation in class is necessary, both for you and for your classmates. Your participation score will reflect the faculty's assessment of your attendance, your contributions to class discussions, and your overall positive demeanor during class.
- iii) **End term : 30-40% :** This will be typically on the entire course (pre and post midterm coverage)

GRADING :

An important note about grading:

You will be generally graded relative to your peers and the grade distribution is expected to be approximating a normal distribution. This is designed to help you. However the faculty has the right to pre specify a certain cut off score in the course failing which may invite an F grade in the course.

6. Academic Integrity and Additional issues:

- i) Students involved in academic dishonesty will receive a **ZERO** grade on the particular component in which the violation occurred. Academic dishonesty consists of misrepresentation by deception or by other fraudulent means such as copying or use of unauthorized aids in tests,

talking during in-class examinations; aiding another student's dishonesty; and giving false information for the purpose of gaining credits.

ii) **COMPUTERS and MOBILES IN THE CLASSROOM:** ...are **NOT allowed** : No electronic devices that allow your access to the internet are allowed in the classroom.

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