

ELECTIVE COURSE

Course Title:

CORPORATE FINANCE

Course Description:

Corporate Finance is all about how corporations make financial decisions. The Corporation's financial manager faces two broad financial questions: First, what investments should the corporation make? Second, how should it pay for those investments? The investment decision involves spending money; the financing decision involves raising it. A large corporation may have hundreds of thousands of shareholders. They want the financial manager to increase the value of the firm as reflected in its current stock price. The problem is how to do it. Simply put, Corporate Finance is concerned about understanding what financial managers should do to increase company value.

Instructor Information:

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Course Objectives:

Understanding the financial aspects of managerial decisions which create value for a firm along with the basic tools of Corporate Finance. This course provides an overview of the world of modern finance theory and will cover the following themes:

- We will build on the concept of time value of money you have already studied and understand how this concept can be used for capital budgeting decisions.
- Concept of Risk and return, Cost of Capital and Capital Asset Pricing Model (CAPM)
- Why is capital structure important? Does Debt matter and how much should a corporation borrow?
- Payout policy – can dividend decisions impact corporate value? How does a firm decide its Dividend policy?
- Understand how companies are valued? How do security analysts and credit analysts assess companies?

Course Content:

1. Corp Fin – foundation concepts
 - Corporate Objectives /stakeholders
 - Corporate Structure
 - Agency Issue – Corp Gov
 - Types of Financial Decisions – Investing/Financing/Payout
2. Time Value
 - TV concepts / excel functions

ELECTIVE COURSE

- FV/PV/NPV/RRI/Rate etc..
 - Perpetuity /Annuity Concepts
 - Applications
3. Capital Budgeting
- Project evaluation criteria - NPV / IRR
 - Payback period / Discounted Payback
 - Capital Rationing – Profitability Index
 - Decision Criteria used in Practice
 - Case Studies
4. Cost of Capital & Capital Asset Pricing Model
- Risk / Return Trade off
 - Cost of Capital (Cost of debt + equity) - WACC
 - CAPM – Risk premium / Beta
 - Business & Financial Risk
 - Operating & Financial Leverage
5. Capital Structure Decisions
- Capital Structure changes & WACC
 - Effect of Taxes / Cost of Bankruptcy
 - Modigliani & Miller Theory
 - Optimal Capital Structure
 - Trade off Theory
 - Pecking Order Theory
 - Case Studies
6. Payout Policy
- Dividend v/s Capital Gains
 - Dividend Policy – impact of Firm Value
 - Clientele Effect
 - Signalling Effect
 - Stock Repurchases – Tax Impact etc.
7. Valuation - Market Multiples & Asset Approach
- Asset Approach – scenarios
 - Going concern sell off / Liquidation
 - Multiples method – EV v/s Equity Value
 - Trading Comparables / Transaction Comps
8. Valuation – Income Approach
- Key models: DDM, Gordon growth
 - Income Approach - DCF Valuation

ELECTIVE COURSE

- Projections / Terminal Value / WACC
- Start Up / SOTP examples

9. Financial Modelling – DCF

- Business model
- Key projections/ Assumptions
- Build a full 3 statement model
- Valuing the business using Discounted Cash flow model

References:

- Principles of Corporate Finance – Brealey, Myers, Allen & Mohanty (BMAM)(12th Edition), McGraw Hill
- Fundamentals of Financial Management – Brigham & Houston (13th Edition), Cengage Learning

Throughout the duration the course, candidates are expected to be updated on the developments in the finance, capital markets domain. The same will add value to discussions in class and help students get a good grasp of the subject. A few resources recommended:

- ET/FT
- Bloomberg / Reuters
- The Economist (slightly older issues can be accessed for free)