



# University of Management and Technology

## **School of Business and Economics**

Course Title: Corporate Finance

Course Code: FN-590

Resource Person:

Department: Finance

### **SBE Vision**

SBE envisions its success in the sustainable contribution that it will make to the industry, academia and research in public and private sector. SBE will lead by providing professionally competent and ethically conscious human resources engaged in the global and local context to foster socio-economic growth and sustainability for the society. SBE envisages having faculty with high research potential and a deep desire for cutting edge research including collaboration with national and international partners.

### **SBE Mission**

Being a research-oriented and student-centric business school, we emphasize research publications in impact journals as well as state-of -the-art learning methodologies. We will prepare our students to become the future ethical business leaders and the guiding post for the society, while equipping them with the knowledge and skills required by world-class professionals. We will be the leading choice for organizations seeking highly talented human resource. SBE will foster internationalization with key stakeholders and actively work to exchange best practices with business schools across Pakistan through collaborations, workshops, conferences and other means.

### **PROGRAM OBJECTIVES**

- To hone participants' abilities through a well-developed and diversified program designed to equip graduates with essential leadership skills.
- To develop participants' expertise in order to increase their resourcefulness in better decision-making.
- To prepare participants for steering an organization through the difficult and turbulent global and domestic environment and enable the development of an implementable strategic business plan that not only addresses the financial but social and environmental issues as well.
- To produce students who have well-rounded entrepreneurial skills - who not only have great ideas, but can also make things happen by starting their own ventures.
- To enhance the proficiency of the students and groom them to deal with the complex business situations.

## Course Objectives

This course is designed to help students to develop a deeper understanding of the issues and the basic tools needed for corporate manager. The course focuses to develop a solid foundation in managing the issues of raising finances. The intent of the course is to equip students with the concepts to help them to get a strong base of understanding of financial issues and to handle the problems raises during managing the corporate resources. We will use spreadsheet modelling extensively to facilitate our analysis in each topic for the purpose of being efficient.

## Learning Objectives

After studying this course, the participants should be able;

- To evaluate and formulate effective working capital polices to be cash efficient in day to day operations.
- To make effective use of financial resources available to an organization.
- To evaluate various alternatives available to acquire fixed assets.
- To make use of computer applications in financial management issues.
- To develop and analyse the pro-forma financial statements and also the sensitivity and scenario analysis for decision making.
- To increase your confidence to participate in financial decision making.
- To structure Financial planning that play role for the sustainable development of the firm/economy
- To educate the participant about the ethical concern of the society regarding financial decision of the firm.
- To equip the participants to add international perspective in decision making.

## Learning Outcomes

At the end of the semester students must know;

- To compute the external financing need to fund a firm's growth.
- To evaluate how to consider environmental and social risks while making financial plans.
- To determine if a project is acceptable.
- The effect of financial leverage on share holder return
- The impact of taxes and bankruptcy on capital structure choice.
- The essentials of the bankruptcy process
- The issues surrounding dividend policy decisions.
- The essentials of short-term financial planning.
- know the global perspective that may influence the financial planning process
- Must know the ethical issues regarding financial planning
- Must know how financial planning can play role for sustainable development of the economy

## Teaching Methodology (List methodologies used -example are given below)

Interactive Classes  
Case based teaching  
Class activities  
Applied Projects

## **STUDENTS ARE REQUIRED TO READ AND UNDERSTAND ALL ITEMS OUTLINED IN THE PARTICIPANT HANDBOOK**

### **Class Policy:-**

- **Be On Time**  
You need to be at class at the assigned time. After 10 minutes past the assigned time, you will be marked absent.
- **Mobile Policy**  
**TURN OFF YOUR MOBILE PHONE!** It is unprofessional to be texting or otherwise.
- **Email Policy**  
**READ YOUR EMAILS!** You are responsible if you miss a deadline because you did not read your email. Participants should regularly check their university emails accounts regularly and respond accordingly.
- **Class Attendance Policy**  
A minimum of 80% attendance is required for a participant to be eligible to sit in the final examination. Being sick and going to weddings are absences and will not be counted as present. You have the opportunity to use 6 absences out of 30 classes. Participants with less than 80% of attendance in a course will be given grade 'F' (Fail) and will not be allowed to take end term exams. International students who will be leaving for visa during semester should not use any days off except for visa trip. Otherwise they could reach short attendance.
- **Withdraw Policy**  
  
Students may withdraw from a course till the end of the 12th week of the semester. Consequently, grade W will be awarded to the student which shall have no impact on the calculation of the GPA of the student. A Student withdrawing after the 12th week shall be automatically awarded "F" grade which shall count in the GPA.
- **Moodle**  
UMT -LMS (Moodle) is an Open Source Course Management System (CMS), also known as a learning Management System (LMS). Participants should regularly visit the course website on MOODLE Course Management system, and fully benefit from its capabilities. If you are facing any problem using moodle, visit <http://oit.umt.edu.pk/moodle>. For further query send your queries to [moodle@umt.edu.pk](mailto:moodle@umt.edu.pk)
- **Harassment Policy**  
Sexual or any other harassment is prohibited and is constituted as punishable offence. Sexual or any other harassment of any participant will not be tolerated. All actions categorized as sexual or any other harassment when done physically or verbally would also be considered as sexual harassment when done using electronic media such as computers, mobiles, internet, emails etc.

- Use of Unfair Means/Honesty Policy

Any participant found using unfair means or assisting another participant during a class test/quiz, assignments or examination would be liable to disciplinary action.

- Plagiarism Policy

All students are required to attach a “Turnitin” report on every assignment, big or small. Any student who attempts to bypass “Turnitin” will receive “F” grade which will count towards the CGPA. The participants submit the plagiarism report to the resource person with every assignment, report, project, thesis etc. If student attempts to cheat “Turnitin”, he/she will receive a second “F” that will count towards the CGPA. There are special rules on plagiarism for final reports etc. all outlined in your handbook.

- Communication of Results

The results of quizzes, midterms and assignments are communicated to the participants during the semester and answer books are returned to them. It is the responsibility of the course instructor to keep the participants informed about his/her progress during the semester. The course instructor will inform a participant at least one week before the final examination related to his or her performance in the course.

## Course Outline

Course code..... FN-590

Course title...Corporate Finance

Program	MBA
Credit Hours	3
Duration	15 weeks
Prerequisites (If any)	Business Finance/ Financial Management
Resource Person Name and Email	
Counseling Timing (Room#        )	
Contact no.	

**Chairman/Director Programme signature.....Date.....**

**Dean's signature.....Date.....**

## **Grade Evaluation Criteria**

Following is the criteria for the distribution of marks to evaluate final grade in a semester.

<b>Marks Evaluation</b>	<b>Marks in percentage</b>
Quizzes	10%
Assignments	10%
Mid Term	25%
Attendance & Class Participation	5%
Presentations	10%
Final exam	40%
Total	100

## **Recommended Text Books:**

Fundamentals of Corporate Finance by Ross, Westerfield & Jordon (10<sup>th</sup> Edition)

## **Reference Books:**

1. Financial Management and Policy by James C. Van Horne
2. Principles of Corporate Finance by Brealey, Myers & Allen, Latest Edition.
3. Financial Management, Theory and Practices by Brigham & Ehrhard (11<sup>th</sup> Edition)

Sr.#	Topics to be covered in the course	Learning objective of this topic	Expected Outcomes from Students	Teaching Method	Assessment Criteria	Deadlines and Homework
1	<b>Session: 1,2</b> LONG-TERM FINANCIAL PLANNING & GROWTH Financial planning models External financing and growth Internal growth and sustainable growth	To discuss financial planning and to illustrate the interrelatedness of the various investment and financing decisions a firm makes.	students must be able to compute and know; The external financing needed to fund a firm’s growth. the determinants of a firm’s growth. the problems in planning for growth.	Class Discussion Excel	Assignment and Quiz	Two weeks
2	<b>Session: 3,4</b> <b>Sustainability and ethical issues In Long Term Financial Planning And Raising Capital</b>	Sustainability in long term financial planning and Ethical issues relating to raising long term capital.	Students will be able to evaluate How to consider environmental and social risks while making financial plans? How to identify and take advantage of environmental business opportunities	Class Discussion and case study	Student Presentation	One week
3	<b>Session: 5-6</b> PROJECT CASH FLOWS FOR INVESTMENT DECISIONS Projected Cash Flows Investment Cash Flows Pro Forma Financial Statements Estimating NPV Estimates	Analyze the importance of cash flow estimates as the critical input into a net present value analysis and where these cash flows come from. To learn how to critically examine NPV estimates, and, in particular, how to evaluate the sensitivity of	Student will be able to to determine the relevant cash flows for a proposed project. How to determine if a project is acceptable. How to set a bid price for a project.	Class Discussion and case study	Assignment and Quiz	Two weeks

		NPV estimates to assumptions made about the uncertain future. Our primary interest here is in coming up with a preliminary estimate of the net present value for a proposed project.	How to evaluate the equivalent annual cost of a project.			
4	<b>Session: 7-8</b> PROJECT ANALYSIS AND EVALUATION Scenario and other what-if analysis Operating leverage Capital rationing Accounting	Focus on assessing the reliability of such an estimate and on some additional considerations in project analysis.	Student will be able to perform and interpret a sensitivity/scenario analysis for a proposed investment. Compute the degree of operating leverage know its effect on the cash flows of a project. Compute and know how the capital rationing affects the ability of a company to accept projects.	Class Discussion and case study	Assignment and Quiz	two week
5	<b>Session: 9-10</b> FINANCIAL LEVERAGE AND CAPITAL STRUCTURE POLICY Capital structure & Cost of Capital The effect of financial leverage Optimal capital structure	Discuss how capital structure decisions can have important implications for the value of the firm and its cost of capital. We will also find that important elements of the capital structure decision are easy to identify, but precise measures of these elements are generally not obtainable.	Students will be able to compute and evaluate The effect of financial leverage on share holder return The impact of taxes and bankruptcy on capital structure choice. The essentials of the bankruptcy process	Class Discussion and case study	Assignment and Quiz	Two weeks
6	<b>Session: 11-12</b> DIVIDENDS AND DIVIDEND POLICY Cash dividend and dividend payment Low payout and high payout factors Establishing a dividend policy Stock repurchase, Stock splits	To describe the various kinds of dividends and how dividends are paid. Discuss the limitations of paying dividends. Discuss strategies that corporations might employ to implement a dividend policy, and	Students will know and able to evaluate Dividend types and how dividends are paid. The issues surrounding dividend policy decisions. The difference between cash and stock dividends.	Class Discussion and case study	Assignment and Quiz	Two weeks



		the idea of share repurchases as an alternative to dividends.	Why share repurchases are an alternative to dividends			
7	<b>Session 13-14</b> <b>SHORT TERM FINANCE AND PLANNING</b> Operating and Cash Cycle Alternative Financing Policies for current assets Short Term Borrowing Cash and Liquidity management Float Management Cash Collection and Disbursements Target Cash Balance Credit and Inventory Credit and Receivables Factorization	Introduces the basic elements of short-term financial decisions, short-term operating activities of the firm. Then identify some alternative short-term financial policies.	Student will be able to compute and evaluate The operating and cash cycles and why they are important. The different types of short term financial policy. The essentials of short-term financial planning. The sources and uses of cash on the balance sheet.	Class Discussion and case study	Assignment and Quiz	Two week
	<b>Session: 15</b>  <b>International Corporate Finance</b> Foreign exchange. International capital budgeting. Exchange rate and political risk.	Covers essentials of exchange rates and their determination. Shows how to adapt basic DCF approach to handle exchange rates. Discusses hedging and issues surrounding sovereign risk. Discusses factors in an international expansion for a small firm.	Students will be able to know and evaluate How exchange rates are quoted, what they mean, and the difference between spot and forward exchange rates. Purchasing power parity, interest rate parity, unbiased forward rates, uncovered interest rate parity, and the international Fisher effect and their implications for exchange rate changes. The different types of exchange rate risk and ways firms manage exchange rate risk. The impact of political risk on international business investing.	Class Discussion and case study	Assignment and Quiz	Two weeks

