Resource Person: M Tahir Mahmood-MS Finance, FCCA, FCA

Module: Fall 2018

Course Title: Financial Management and Corporate Finance

Course Code: BF-425

Course Type: Core

Pre-Requisite: Financial Accounting Analysis

Counseling Hours: Monday & Tuesday 5:00 pm to 6:30 pm

Wednesday-Friday 4:00 pm to 6:30 pm

Program: MBF

Program Head: Khalil A. Arbi

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|  | **Name** | **Signature** |
| **Prepared By**  (Resource Person) | M Tahir Mahmood |  |
| **Checked By**  (Assessments Officer) | Shahid Mahmood |  |
| **Checked By**  (Program Head) | Khalil A. Arbi |  |
| **Approved By**  (Director SPA) | Dr. Atif Hassan |  |

**Course Description**

Learning financial management and corporate finance is about constructing a conceptual framework and to build understanding of making investment and financing decisions. This course provides a foundation to help you understand deeper issues and to develop expertise in managing the financial resources and to create value for shareholders. A variety of learning materials and opportunities to practice basic concepts are underlying the design of this course. You are encouraged to discover, collaborate and regulate learning at your own pace from multiple sources of information provided. This course will encourage you to think critically about issues in financial management and corporate finance. A mixture of individual and collaborative work will help you to take advantage of peer expertise and produce feedback opportunities that would not be possible otherwise.

This is a core course in Finance for MBF program. The main objective of this course is to enable participants to understand the language of finance, the corporate objectives and basic terminology of Finance. This course is designed to help you develop a deeper understanding of the issues and the basic tools needed for corporate manager.

**Format of the Course:**

* Lectures
* Solving practical problems
* Readings will supplement lecture material
* Presentations
* Power point slides
* Discussions
* Case studies
* Study of Annual Reports of Listed Companies
* Project on measuring performance of firms

**Course Instructional Objectives**

The basic objective of this course is to provide in depth study of financial policies of an organization, the evaluation of Working Capital policies, Credit policies, managing the current assets, Cash management, calculating Operating and Cash conversion cycle, use of Cash Flow statement, feasibility of long term investments, Cost of Capital, Optimal capital structure of a company, Capital expenditure i.e. lease/buying decision, Financial statement analysis, Bonds and Stock valuations etc. In simple words, the objective is to make the participants competent financial managers who will be able to handle the finance in an efficient and profitable manner.

**Course Student Objectives**

At the end of the course, the participants will be able:

* To evaluate and formulate effective working capital polices and 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 develop and analyse the pro-forma financial statements for decision making.
* To increase confidence to participate in financial decision making as working knowledge of finance is important even if you are not planning a career in finance.
* To understand that how should a business organization manage its everyday financial activities
* To understand the difference between accounting profits and cash flows.
* To consider time value of money in making future decisions.
* To have the overview of the Capital Budgeting process and techniques.
* To calculate value of firms for making investment thereon.
* To formulate optimal capital structure for the company.

**Course Contents:** Following is the session-wise breakup of the course:

**Session 1: Introduction:**

* Course introduction
* Teaching & assessment methodology
* Financial Management and its goals
* Corporate Finance
* Financial markets
* Types of business organizations
* Role of Financial Manager in the firm
* Stakeholders
* Corporate Governance

**Learning Outcomes**

The main learning objective is to provide a basic and conceptual understanding of business organizations and financial management of companies.

**Activities**

* Group Discussion about different stake holders of listed companies and their financial needs

**Session 2: Financial Statements including Cash Flows of Listed Companies**

* Balance Sheet (SOFP)
* Income Statement (SOCI)
* Statement of Cash Flows and its importance
* Financial cash flows

**Learning Outcomes**

The participants will be able to understand all financial statements along with its utilization in financial management.

**Activities**

* Study of annual report of a listed company

**Session 3: Financial Statement Analysis and Financial Models:**

* Common size Balance Sheets
* Common size Income Statements
* Ratio analysis
* Short term solvency measures
* Long term solvency measures

**Learning Outcomes**

The main learning objective of the session is to equip the participants with different analytical techniques of assessing the overall performance of any company.

**Activities**

* Assignment 1

**Session 4: Financial Statement Analysis and Financial Models:**

* Asset management measures
* Profitability measures
* Market value measures
* DuPont identity
* Financial models
* Limitations of ratio analysis

**Learning Outcomes**

The main learning objective of the session is to apply the analytical techniques practically on financial statements of an entity.

**Activities**

* Quiz 1
* Project allocation

**Session 5: Time value of Money & Discounted Cash Flows:**

* Present value and compounding
* Present value and discounting
* Compounding periods
* Annuity
* Perpetuity

**Learning Outcomes**

This session aims to understand the present and future value of cash flows and to apply it decision making.

**Activities**

* Quiz 2

**Session 6: Capital Budgeting Techniques:**

* Net present value (NPV)
* Internal rate of return (IRR)
* Contrasting NPV & IRR

**Learning Outcomes**

The participants will be able to analyze the feasibility of making investment in any new project with the help of capital budgeting techniques.

**Activities**

* Assignment 2

**Session 7: Bond Valuation:**

* Bond features and prices
* Bond values and yields
* Interest rate risk
* Types of bonds
* Bond markets

**Learning Outcomes**

This session aims to make the participants competent in making decision about selection of different types of bonds.

**Activities**

* Quiz 3

**Session 8: Midterm**

**Session 9: Stock Valuation:**

* Valuation of different types of stocks
* Present value of common stock
* Business valuation models
* Dividend model
* Price earnings ratio approach
* Discounted cash flows approach
* Net assets approach

**Learning Outcomes**

The main learning objective of the session is tocalculate the value of the business and then to decide about the more profitable investment.

**Activities**

* Case study on business valuation models

**Session 10: Risk and Return (CAPM):**

* Realized Vs expected return
* Components of return
* Risk free return
* Types of risk
* β and its importance
* Capital Asset Pricing Model (CAPM)

**Learning Outcomes**

The focus of this session is to compare and contrast the risk in different firms and then to diversify the risk.

**Activities**

* Quiz 4

**Session 11: Capital Structure & Cost of Capital**

* Debt
* Equity
* Optimal capital structure for a firm
* Dividend discount model
* CAPM
* Cost of equity
* Cost of debt
* Cost of preferred stock
* Weighted Average Cost of Capital (WACC)
* Value of firm

**Learning Outcomes**

The learning outcome is to familiarize the students with different capital structure policies and then to formulate the best capital structure for the firm. This session also aims to highlight the different sources of financing along with their cost. After then, the participants will be able to select the best source of finance.

**Activities**

* Assignment 3

**Session 12: Project presentations**

**Session 13: Buy Vs Lease:**

* Types of leases
* Operating Vs finance lease
* Cash flows of leasing
* Reasons of leasing
* Buy Vs lease decisions

**Learning Outcomes**

In this session, the participants will understand different options of financing the project and obviously also to choose the best option in the given practical scenario.

**Activities**

* Quiz 5

**Session 14: Working Capital Management**:

* Net working capital
* Operating cycle and cash cycle
* Cash management
* Cash float
* Cash collection & concentration

**Learning Outcomes**

Through this exercise, the students will be familiarized with different policies of cash management.

**Activities**

* Case study

**Session 15: Working Capital Management:**

* Credit and receivables
* Credit analysis
* Collection policy
* Accounts payable management

**Learning Outcomes**

In this session, the participants will be communicated with different credit policies to manage the accounts receivable and accounts payable in an efficient manner.

**Activities**

* Case study

**Recommended Books:**

**Textbook:**

1. Corporate Finance (Asia Global Edition, 2015) by Ross, Wasterfeild & Jeffrey

**Reference Books:**

1. Financial Management and Policy by James C. Van Horne
2. Principles of Corporate Finance by Brealey, Myers & Allen
3. Financial Management, Theory and Practices by Brigham & Ehrhard

**E-Resources:**

Relevant web sites will be referred during lecturing.

**Assessment Methodology:**

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| --- | --- |
| **Distribution** | |
| Class Participation & Attendance | 10% |
| Quizzes | 10% |
| Mid Term | 15% |
| Assignments | 10% |
| Project/Case Studies | 15% |
| Presentations | 10% |
| Final Exam | 30% |
| **Total** | **100%** |

**Calendar of Activities**

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| --- | --- | --- | --- |
| **Session** | **Topic** | **Readings** | **Activities** |
| 1 | Introduction | Chapter 1 | Class activity |
| 2 | Financial Statements and Cash Flows | Chapter 2 | Class activity |
| 3 | Financial Statements Analysis and Financial Models | Chapter 3 | Assignment 1 |
| 4 | Financial Statements Analysis and Financial Models | Chapter 3 | Quiz 1 &  Project |
| 5 | Time Value of Money | Chapter 4 | Quiz 2 |
| 6 | Capital Budgeting Techniques | Chapter 5 | Assignment 2 |
| 7 | Bond Valuation | Chapter 8 | Quiz 3 |
| 8 | **Midterm** | | |
| 9 | Stock Valuation | Chapter 9 | Case study |
| 10 | Risk and Return (CAPM) | Chapter 10 & 11 | Quiz 4 |
| 11 | Capital Structure and Cost of Capital | Chapter 13 & Chapter 16 | Assignment 3 |
| 12 | **Project Presentations** | | |
| 13 | Buy Vs Lease | Chapter 21 | Quiz 5 |
| 14 | Working Capital Management-Cash | Chapter 26 & 27 | Case study |
| 15 | Working Capital Management-AR & AP | Chapter 28 | Case study |