



Indian Institute of Management Indore

Executive Post Graduate Program in E-GOVERNANCE

2013-14

Title of the Course: Finance Concepts

Credits: 3

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COURSE DESCRIPTION AND OBJECTIVES:

This is an introductory course in finance designed exclusively for short-term executive education programs. Hence, the objective is to provide a complete overview of finance functions. For a better assimilation of corporate finance functions, a short background of financial accounting, cost management and were also included in this curriculum.

PEDAGOGY:

Class room lectures and case discussions were blended to enable the participants to learn theoretical concepts and apply practically.

EVALUATION:

<u>Component</u>	<u>Weightage</u>
Class participation	30%
Group assignments	20%
Group presentation	20%
End term exam	30%
Total	100%

SCHEDULE OF SESSIONS:

Module 1: Financial Accounting concepts

Module Objective(s): Discussion on the components of financial statements and the relationship between profit and cash

Sessions 1: Corporate finance – an introduction

Readings: Siher, W (1971) Framework for Financial Decisions. *Harvard Business Review*, pp. 123-134.

Sessions 2: Understanding financial statements

Reading: Introductory note on financial statements [Ivey/908B09] |

Sessions 3: Profit vs. Cash – Understanding the purpose of cash flow statement

Readings: Understanding the statement of cash flows [HBS/9-193-027]

Module 2: Cost Accounting concepts

Module Objective(s): Analyzing of cost behavior and its impact on financial forecasting

Sessions 4: Break even analysis and operating leverage
Readings: Fill, W.L. (1952) Break even chart, *Accounting Review*, 41(1), 202-209
Patric, A.W. (1958) Some observations on the break-even chart, *Accounting review*, 47(3), 573-580.
Cases: Bill French, Accountant [HBS/9-104-039]

Sessions 5: Financial Planning and Budgeting
Readings: A note on, and a tale about, flexible budgeting [Darden/UV1698] 2
Cases: Urban Arts Institute [HBSP/TCG 235]

Module 3: Concepts of Risk and Return

Module Objective(s): Examines the basic 'time value' concept and its wider applications across asset pricing and portfolio management

Sessions 6: Time value of money and valuation of bonds and stocks
Readings: Developing financial insights: Using a future value (FV) and a present value (PV) approach

Sessions 7: Fundamental perspective on Portfolio theory and asset pricing models
Readings: Introduction to portfolio theory [HBS/9-185-066]

Module 4: Capital budgeting and cost of capital

Module Objective(s): Overview of capital investment evaluation methods and the issues in estimation of relevant variables

Sessions 8: Cost of capital of a corporation – Estimating cash flows
Readings: Leveraged betas and the cost of equity [HBS/9-288-036]
Cases: Marriott corporation: the cost of capital [HBS/9-298-101]

Sessions 9: Issues in estimating cost of capital
Readings: Bruner, R., K. Eades, R. Harris and R. Higgins (1998) Best Practices in Estimating the Cost of Capital: Survey and Synthesis. *Journal of Financial Practice and Education*, pp. 171-194.
Cases: Marriott corporation: The cost of capital [HBS/9298-101]

8/04. ✓ Sessions 10: Capital budgeting methods
Readings: Graham, J. and C. Harvey (2002). How do CFOs Make Capital Budgeting and Capital Structure Decisions? *Journal of Applied Corporate Finance*, pp. 8-23.
Cases: Investment detective [Darden/UV0072] 3

Module 5: Financing and dividends

Module Objective(s): Basics of 'financing' and 'distribution' decisions will be examined and the interrelationship between the two will be explored in this module.

Sessions 11: Capital structure and financial leverage
Readings: Myers, S.C. (2001) Capital structure, *Journal of Economic Perspectives*, 15(2), 81-102.

Sessions 12: Concept of optimal capital structure
Readings: Opler, T., M. Saron and S. Titman (1997) Designing Capital Structure to Create Shareholder Value. Journal of Applied Corporate Finance, pp. 21-32.
Cases: Polaroid corporation [Darden/UV0007] 24

Sessions 13: Dividends and share repurchases
Readings: Black, F (1996). The Dividend Puzzle. The Journal of Portfolio Management, pp. 8-12.
Cases: Dividend policy at Linear Technology [HBS/9-204-066]

Module 6: Working capital and short term liquidity management

Module Objective(s): Explains operating cycle and its components. This module also discussed working capital financing policies.

Sessions 14: Operating cycle and working capital financing
Readings: Brigham, E.F. and M. CEhrhardt, Financial management-Text and cases, 12TH edition, Chapter 22
Cases: Dell's working capital [HBS/9-201-029]

Sessions 15: Financial markets and corporate finance
Readings: Hess, D.W. (1998) Emerging equity markets in India: a case study, *Managerial Finance*, 24(7), 17-30.

$$\begin{aligned} x \times 0.2 &= 1,00,000 \\ x &= \frac{1,00,000}{0.2} \\ &= 5,00,000 \end{aligned}$$

