

## *Course Outline*

# **BASIC FINANCIAL MANAGEMENT**

*for PMIR I 2008-09*

Course Instructor: *ram kumar kakani*



**XLRI Jamshedpur**  
*School of Business & Human Resources*

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### **Contact:**

Intercom – 3104; Email: kakani@xlri.ac.in; in person – On class/session days

### **Course Objectives:**

The course provides necessary exposure to the students on the basics of financial management. It is to inculcate a broad level of financial awareness among the PMIR students. The objective of the course is also to acquaint the students with the financial management techniques such as financial analysis, valuation, capital budgeting, raising finance, and working capital management, where emphasis is laid on sound concepts and their managerial implications.

### **Pedagogical Methods:**

The course is based on classes, cases, and project work. Active participation by students is an important feature of the course. A variety of quizzes, take home assignments, tests, and case studies are the main pedagogical instruments.

### **Primary Teaching Book & Reading Material:**

*“Corporate Finance” by Ross, Westerfield, Jaffe, & Kakani, 8<sup>th</sup> Edition, Special Indian Edition, McGraw Hill Publications (Higher Education), 2009.*

### **Other Suggested Readings:**

- 1. Fundamentals of Financial Management by Van Horne & Wachowicz**

**2. Principles of Managerial Finance by Lawrence J. Gitman, Pearson Education**

3. Fundamentals of Financial Management by Prasanna Chandra
4. Fundamentals of Corporate Finance by Ross, Westerfield, & Jordan
5. Introduction to Financial Management by Halloran & Lanser
6. Principles of Corporate Finance by Brealey, Myers & Mohanty
7. Financial Management Theory and Practice by Prasanna Chandra
8. Financial Management and Policy by Van Horne
9. Financial Management and Policy by V. K. Bhalla
10. Essentials of Managerial Finance by Weston & Brigham
11. Financial Statement Analysis by George Foster

**12. Financial Management by I M Pandey**

Any other good (introductory) book on Financial Management

*Note: Books no. 6 and 8 are slightly advanced and would be useful only for those who already have some basics of corporate finance.*

**Study Material**

Students will be given a text book as part of the course material. It may be noted that the text book material should not be considered as exhaustive under any circumstances. Cases and additional notes would also be distributed in the class from time to time (these will be usually taken from one of the references provided above)<sup>1</sup>. Should the students feel that they need more reading material (or detailed notes) for a particular topic – they can get in touch with me.

**Other Course Policies:**

Students are expected to have their own calculators during the class/examinations.

**Exams** → End-term exam will typically have cases/problems followed by questions. The end-term exam will be comprehensive meaning you will be responsible for all the material covered in the course.

**Class Participation** → I will sometimes randomly call on people to present their case/assignment solutions and at other times I will allow people to volunteer to present their worked out solutions. Class participation marks will also be based on participation in class discussion, attendance, and being on time.

**System of Evaluation**

Method of Evaluation	Marks
Class Attendance/ Participation & Case Submissions	10
Mid-term Examination/ Surprise Quizzes*	25
Take Home Assignment	25
End-term Examination*	40

\* → Please note that some questions will carry negative marks (for wrong answers)

<sup>1</sup> They could also be magazine / journal articles or newspaper clips.

## Grading Pattern

Range of Marks	0-30	31-35	35-40	41-45	46-50	51-60	61-70	71-80	81-100
Grades	F	D	D +	C	C +	B	B +	A	A +

Note: Adjustments in the above could be made to meet the norms of the institute.

## Sources of Financial Information:

The following sources apart from **CMIE-PROWESS** have extensive information about corporate world, economy and markets.

- Government-owned Websites: Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI), Ministry of Finance – Government of India (\*.nic.in)
- Stock Exchange Websites: National Stock Exchange (NSE), and Bombay Stock Exchange (BSE)
- Financial Magazine/Newspaper Websites: Business Standard, Hindu Business Line, Financial Express, Wall Street Journal, Financial Times, Business Today, Economic Times, Economist, etc.
- Other websites: Capital Market, Indiainfoline, Indiabulls, Equitymaster, Sharekhan, iInvestor, CRISIL, CMIE, CapitalIdeasOnline, ICICIMarkets, Motleyfool, World Bank, ICICIDirect, 5paisa, CARE, MoneyControl, Myiris, etc.

## Topics to be covered:

Session-wise Plan	Suggested Reading
1. The Role of Financial Management	Chapter 1 in RWJ Chapter 1 in Van Horne & Wachowicz, Chapter 1 in Brealey & Myers
2. The Business, Tax, and Financial Environments	Chapter 2 in RWJ Chapter 2 in Van Horne & Wachowicz Chapter 2 in Halloran & Lanser
3. Shareholder Value Maximization	Class Notes
4. Time Value of Money, Valuation of Bonds & Debentures	Chapter 4 and 5 in RWJ Chapter 3 in Van Horne & Wachowicz Chapters 2, 3, 23 in Brealey & Myers Chapter 5 in Prasanna Chandra
5. Valuation of Shares	Chapter 5 and 17 in RWJ Chapter 4, 5 in Brealey & Myers Chapter 5 in Prasanna Chandra
6. Financial Statement Analysis, Future Financial Health	Chapter 3 in RWJ Chapter 6 in Van Horne & Wachowicz Chapter 3 in Halloran & Lanser
7. Risk and Return	Chapter 9 and 10 in RWJ Chapter 5 in Van Horne & Wachowicz Chapters 7 & 8 in Brealey & Myers

Session-wise Plan	Suggested Reading
8. Working Capital Management	Chapter 27 and 28 in RWJ Chapter 8 in Van Horne & Wachowicz Chapter 19 in Halloran & Lanser Chapter 24 in Prasanna Chandra
9. Capital Budgeting and Estimating Cash Flows	Chapter 6 in RWJ Chapter 12 in Van Horne & Wachowicz Chapters 5, 6 & 9 in Brealey & Myers
10. Capital Budgeting Techniques	Chapter 7 and 8 in RWJ Chapter 13 in Van Horne & Wachowicz Chapters 9 & 10 in Halloran & Lanser
11. Required Returns, EVA, and Cost of Capital	Chapter 11 and 12 in RWJ Chapter 15 in Van Horne & Wachowicz Chapter 11 in Halloran & Lanser
12. Operating and Financial Leverage	Chapter 15 in RWJ Chapter 16 in Van Horne & Wachowicz Chapter 16 in Halloran & Lanser
13. Capital Structure Decisions	Chapter 16 and 20 in RWJ Chapter 17 in Van Horne & Wachowicz Chapters 17 & 18 in Brealey & Myers
14. Dividend Policy	Chapter 18 in RWJ Chapter 18 in Van Horne & Wachowicz Chapter 16 in Brealey & Myers
15. The Capital Market	Chapter 13 in RWJ Chapter 19 in Van Horne & Wachowicz Chapter 13 in Brealey & Myers
16. An Overview of Corporate Financing	Chapter 14, 19, and 20 in RWJ Chapter 14 in Brealey & Myers Chapter 15 in Prasanna Chandra
17. Financial Planning	Chapter 26 in RWJ Chapter 32 in Prasanna Chandra Chapter 7 in Van Horne & Wachowicz
18. Corporate Restructuring	Chapter 29 in RWJ Chapter 23 in Van Horne & Wachowicz Chapter 33 in Brealey & Myers
19. Corporate Control and Governance	Chapter 1 in RWJ Chapter 34 in Brealey & Myers Chapter 36 in Prasanna Chandra
20. Bankruptcy and International Corporate Finance	Chapter 30 and 31 in RWJ

Note: Additional practice sessions would be arranged on request.