

Veer Narmad South Gujarat University

Advance Financial Management

T.Y. B.B.A., Semester VI

Effective from December 2012

Objective: To equip to students with basic tenets of long term financial decision-making.

- 1. VALUATION OF SECURITIES** **10%**
 - Importance of Valuation , Concept of value ,
 - Bond Valuation :- Basic bond valuation, semi-annual interest payment, effect of relation between required rate of return & coupon rate on bond values, effect of years to maturity on bond values, yield to maturity, perpetual bonds.
 - Preference valuation : Perpetual/redeemable,
 - Equity valuation : Divided capitalization (Single period/ Multi period) , Earnings capitalization

- 2. COST OF CAPITAL** **15%**
 - Meaning & significance, explicit & implicit cost,
 - Cost of Debt, preference & equity retained earnings,
 - Cost of equity through dividend capitalization approach, realized yield method, CAPM & earning price method,
 - Weighted average cost of capital

- 3. CAPITAL STRUCTURE** **10%**
 - Meaning & significance,
 - Net income, Net operating income, Traditional & MM theory (Arbitrage mechanism to be excluded)

- 4. INVESTMENT DECISION UNDER RISK & UNCERTAINTY** **15%**
 - Significance, Measurement of risk,
 - Sensitivity Analysis, Simulation Analysis ,
 - Risk Evaluation :- Risk-adjusted Discount R-4 method , Certainty equivalent method, Decision- tree approach

- 5. DIVIDEND DECISION** **10%**
 - Importance,
 - Traditional Position , Walter Model , Gordon Model , M & M model,
 - Factors affecting dividend decision incl. Provisions in Companies Act.

- 6. CORPORATE GOVERNANCE** **10%**
 - Meaning and Introduction, Nature, Need,
 - Factors affecting corporate governance,
 - Corporate Governance in India

- 7. CORPORATE RESTRUCTURING** **15%**

- Fundamental concept of corporate restructuring, different forms, motives & applications of corporate restructuring, Mergers & acquisitions concept, process.
- Fundamental and methods of valuation, Calculations of financial synergy and return, Corporate Restructuring & Divestiture, Financial Restructuring, Alliances & Joint Ventures, Employee Stock Ownership, Going Private & Leveraged Buyouts

8. INTERNATIONAL FINANCE

15%

- International Finance – Overview Globalization and the Multinational Firm International Monetary System, Balance of Payments, The Market for Foreign Exchange, International Parity Relationship and Forecasting, Foreign Exchange Rate
- Forward Exchange Arithmetic, Forward Exchange contracts, Forward Exchange Rates based on cross rates, Inter-bank deals, Execution of forward contract, Cancellation/Extension of forward contract
- International Financial Markets & Cash Mgt. International Banking and Money Market, International Bond Market, LIBOR (Concept only), International Equity Markets, ADR, GDR, EURO, Multinational Cash Management

Reference Books

1. M. Y. Khan and P. K. Jain, Financial management-theory and Practice, Tata McGraw Hill Publication
2. I. M. Pandey, Financial management, Vikas Publication
3. Prasanna Chandra, Financial Management-Theory Practice, Tata McGraw Hill Publication
4. Alan Shapiro, Multinational Financial Management, John Wiley Publication
5. V. V. Sharan, International Financial Management, PHI EEE