

Course Details:

Course Title: Advanced Financial Management

Credit Hours: 3

Course Code: FIN-451

Pre-requisite: FIN-223

Course Description:

The course is the next step in financial learning and describes the corporation and its operating environment, the manner in which corporate boards and management evaluate investment opportunities/projects and arrange for financing such investments, create (or, alternatively, destroy) value for shareholders by planning and managing the transformation of a set of variable inputs (labor efforts, including the creative efforts required for innovations, raw materials, components and other forms of technology consumed in production processes) into a more highly valued set of outputs (embodying both the original investment value and any surplus value generated), and develop strategies for meeting the claims of financial market participants who are sought as financiers (and, therefore, residual claimants to net cash flows/surplus value) of such investments. It is understood that the shares of surplus value received by various claimants and retained by corporate boards of directors for investment and other uses results from complex social interactions, including, but certainly not limited to, transactions in various markets.

Thus, the course provides students with a basic analytical framework for understanding how the various strategies for transforming variable inputs into more highly valued outputs, combined with struggles over corporate surplus value (in the form of cash flows), may be understood and resolved. In this context, the course is designed to provide students with analytical tools that allow them to determine the "intrinsic value" of a corporation (or any economic institution, including a state-owned enterprise that is to be privatized) and to assess the effectiveness of corporate management in maximizing that value, given specific competitive, regulatory, and market conditions.

Course Learning Outcomes:

The learning outcomes for this course include, but are not limited to:

CLO1. Utilize key concepts of finance for the management of financial resources.

CLO2. Make use of various corporate valuation methods to value businesses.

CLO 3. Apply essential risk management techniques for reducing the impact of risk.

CLO 4. Analyze different financing decisions to determine optimal capital structure.

CLO 5. Examine dividend policy to determine optimal payout ratio.

Required Course Material:

Textbook (s): Fundamentals of Corporate Finance (FCF) Authors: Ross, S. A., Westerfield, R. W., Jordan, B. D

Edition: (12th Edition).

ISBN: 978-1-259-91895-7

Publisher: McGraw Hill Education

Reference Book (s): Fundamentals of Financial Management (FFM)

Authors: Brigham, E. F. Edition: (12th Edition, Indian). ISBN: 9788131518571

Publisher: Cengage

Other Material: Reading financial sections of newspapers and/or periodicals is encouraged.

Weekly Schedule:

Week	Lecture No. and Topic	Preparation Material	Session Outcomes (Students should be able to...)
1	Introduction		Discussion of the course outline, learning outcomes, career relevance, and assessments, etc.
<u>Module 1: Overview of financial analysis and financial forecasting</u>			
1	LECTURE 1: Overview of Financial Management	FCF Ch 1: Introduction to corporate finance (optional)	This chapter introduces Corporate Finance and different financial management decision tools (CLO #1)
2	LECTURE 2: Risk and Return: Some Lessons from Capital Market History	FCF Ch 12: Some lessons from Capital Market History	To calculate the return on investment. Discuss the historical returns on various important types of investments. Discuss the historical risks of various important types of investments. Explain the implications of market efficiency (CLO#2)
3	LECTURE 3: Risk and Return	FCF Ch 13: Return, Risk, and The Security Market Line	To calculate expected returns, variance, and standard deviation. Discuss the impact of diversification. Summarize the systematic risk Principle. Describe the security market line and the risk–return trade-off. (CLO#3)
4	LECTURE 4: Options	FCF Ch 24: Options and Corporate Finance	To Lay out the basics of call and put options and explain how to calculate their payoffs and profits. To List the factors that affect option values and show how to price call and put options using no arbitrage conditions. Discuss the basics of employee stock options and their benefits and disadvantages. To value options in capital budgeting projects (CLO#1)
5	LECTURE 5: Options	FCF Ch 25: Option Valuation	Describe the relationship between stock prices, call prices, and put prices using put-call parity.

			Describe the Black-Scholes option-pricing model and its uses. Demonstrate Valuation of Equity and Debt in a Leveraged Firm. (CLO#1)
6	LECTURE 6: Financial Planning	FCF Ch 4: Long Term Financial Planning and Growth	To apply the percentage of sales approach and address the external financing needed to fund a firm's growth. To determine the determinants of a firm's growth and anticipate some of the problems in planning for growth. (CLO#2)
7	LECTURE 7: Cost of Capital	FCF Ch 14: Cost of Capital	To determine a firm's cost of equity capital, cost of debt and overall firm's cost of capital and how to use it to value a company. Explain how to correctly include flotation costs in capital budgeting projects. (CLO#2)
8	LECTURE 8: Project Management and evaluation	FCF Ch11: Project Analysis and Evaluation	Perform and interpret a sensitivity and scenario analysis for a proposed investment. To determine and interpret cash, accounting, and financial break-even points. To discuss how the degree of operating leverage can affect the cash flows of a project. Discuss how capital rationing affects the ability of a company to accept projects. (CLO#2)
9	<u>MID-TERM EXAM WEEK</u>		
10	LECTURE 9: Financial Leverage	FCF Ch16: Financial Leverage and Capital Structure Policy	Explain the effect of financial leverage. Show the impact of taxes and bankruptcy on capital structure choice. Describe the essentials of the bankruptcy process. (CLO#4)
11	LECTURE 10: Dividends Policy	FCF Ch 17: Dividends and Payout Policy	Define dividend types and how dividends are paid. To address the issues surrounding dividend policy decisions. Describe the difference between cash and stock divide. Explain why share repurchases are an alternative to dividends. (CLO#5)
12	LECTURE 11: Raising Capital	FCF Ch 15: Raising Capital	Describe the venture capital market and its role in the financing of new, high-risk ventures. To discuss how securities are sold to the public and the role of investment banks in the

			process. Define initial public offerings and some of the costs of going public and discuss, how rights are issued to existing shareholders and how to value those rights (CLO#1)
13	LECTURE 12: Enterprise Risk Management	FCF Ch 23: Enterprise Risk Management	Outline the exposures to risk in a company's business and how a company could choose to hedge these risks. Describe the similarities and differences between futures and forward contracts and how these contracts are used to hedge risk. Define the basics of swap contracts and how they are used to hedge interest rates. Discuss the payoffs of option contracts and how they are used to hedge risk. (CLO#3)
14	LECTURE 13: Mergers and Acquisitions	FCF Ch 26: Mergers and Acquisitions	Discuss the different types of mergers and acquisitions, why they should (or shouldn't) take place, and the terminology associated with them. Describe how accountants construct the combined balance sheet of the new company. Also define the gains from a merger or acquisition and how to value the transaction (CLO#1)
15	LECTURE 14: International Corporate Finance	FCF Ch 21: International Corporate Finance	Define how exchange rates are quoted, what they mean, and the difference between spot and forward exchange rates. Explain 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. Illustrate the different types of exchange rate risk and ways firms manage exchange rate risk (CLO#1)
16	Project Presentation		
17		BUFFER WEEK	
18	<u>FINAL EXAM WEEK</u>		