

COURSE TITLE: ADVANCED CORPORATE FINANCE

COURSE CODE: MBAFA 7302

HOURS TAUGHT: 3 HRS PER WEEK

PREREQUISITES: NONE

PURPOSE OF COURSE

The course aims at equipping students with the concepts, principles and theories that underlie the practice of financial decision making in organizations. At the end of the course students should find themselves able too understand how to manage a particular portfolio using the concept of portfolio theory. Make investment decisions which gives organization a competitive advantage. Students should also be able to use various techniques to do investment appraisal and project selection, including managing assets, raising funds, appropriating earnings

EXPECTED LEARNING OUTCOMES

By the end of the course unit, students should be able to:

- Discuss the techniques used to make financing and investment decisions
- Explain the factors that influence investors whether individuals or corporations in making economic value enhancing decisions related to financing business activities within the short and long term horizons.
- Evaluate projects so as to select those that require to be financed on the basis of future cash flows viability
- Describe the investment portfolios on criteria risk and return trade offs
- Explain the cash flows analysis, structures of capital markets, and role of financial markets in investment, raising long – term capital and working capital management.

COURSE CONTENT

Overview

- Background

- Major decision areas
- Objectives of corporate finance

The financing decision

- Sources of Financing
- Characteristics of the sources
- Selection of the capital structure mix

The Investment decision

- Importance of the decision
- Investment appraisal techniques
- Capital budgeting decisions and its stages
- Approaches to capital budgeting decisions
- Determination of cash flows
- Capital budgeting and risk

Cost of Capital

- Determination of the specific cost of capital
- Cost of debt
- Cost of preference share
- Cost of equity
- Overall cost of capital for the firm, i.e. the weighted Average cost of Capital

Portfolio Theory

- Introduction to the portfolio theory
- Portfolio diversification
- Return, Correlation, risks of portfolios
- Two security portfolios
- Risk free asset
- The market portfolio
- Limitation of the portfolio theory

Working capital management decision

- Importance of working capital
- Financing working capital
- Management of cash resources
- Management of debtors

- Management of cash resources
- Management of inventory
- Management of creditors

The Capital Asset Pricing Model

- Systematic and unsystematic risk
- Beta factor for individual securities
- Assumption and limitations of CAPM
- CAPM and project appraisal

The financing decision

- Capital structure Debate and its determinants
- Financial markets , raising funds and valuation of securities
- Short term sources of finance
- Long-term sources of finance
- Valuation of the firm's assets

The dividend decision and Financial Analysis

- Dividend debate and practical considerations in dividend decisions
- Interpretation of financial statements
- Ratio analysis

Financial distress and business failure

- Causes of financial distress
- Corporate restructuring : mergers, acquisitions, etc
- Addressing financial distress

MODE OF DELIVERY

- Lectures
- Reading assignments
- Practical assignments
- Field trips
- Documentaries

INSTRUCTIONAL MATERIALS AND / OR EQUIPMENT

- Whiteboard and Markers
- Flip Charts
- LCD Projectors
- CDs, DVDs and Tapes

COURSE ASSESSMENT

- Continuous assessments tests 20%
- Group and individual project (course work) 20%
- End of Semester Examination 60%

READING MATERIALS / LIST

Richard A. Brealey and Stewart C. Myers. (2000). Principles of Corporate Finance
6th edition.

James C van Horne and John M Wachowicz Jr (1996). Foundations of Financial
Management Prentice Hall India. Eastern Economy Edition.

Other important or alternate texts:

Stephen A Ross, R Westerfield, Jeffrey Jeff: Corporate Finance 5th edition.

Howard Griffith : Financial investments

J. A Van Horne: Financial management and policy.

Aurthur J Known, David F Scott, Jr., John D Martin, J. William Petty: Foundations of
Finance, The logic and Practice of Financial Management.

Edwin J Elton and Martin J Gruber: Modern Portfolio Theory and Investment Analysis
5th ed, John Wiley and Sons Inc.

Capital Markets Authority ; Capital markets journal.

