

Kathmandu University School of Management
Bachelor of Business Administration
Course Syllabus

Course Title	MANAGERIAL FINANCE-II
Course Code	FIN 203
Credit hours	3
Course Objective	The main objective of this course is to provide an understanding of basic concepts and the skills necessary to raise capital and manage financial assets of a firm. The course will further familiarize the students with the theories of capital structure and dividend policy relevant for making financial decisions.
Enabling objectives	<p>After completion of all the learning units and the requirements of the course, students will be able to:</p> <ul style="list-style-type: none"> - Diversify the firm's risk through the application of portfolio theory; - Compute the Weighted average cost of capital (WACC) and identify the factors affecting cost of capital; - Use the various techniques of appraising investment potentials; - Classify the different sources of short term financing; - Identify the various long-term sources of funds for a firm; - Explain the concept of leverage and describe the theories of capital structure; and - Discuss various dimensions of dividend policy.
Learning Unit	
Learning Unit One Net Contact Hours-10 hrs	Risk and Return Meaning of risk and return, Inflation and return, Expected return and variance, Risk and return in a portfolio context: Portfolio risk and return, Importance of covariance and correlation, Optimum portfolio/Minimum variance portfolio, Risk diversification: Systematic and unsystematic risk, Capital Asset Pricing Model (CAPM).
Learning Unit Two Net Contact Hours-6 hrs	Cost of Capital Specific sources of capital, Weighted average cost of capital (WACC): Cost of equity, Cost of retained earnings, Cost of debt and preferred stock, Factors affecting firm's cost of capital.
Learning Unit Three Net Contact Hours-8hrs	Capital Budgeting Meaning and Nature of capital investment decisions, Capital budgeting process, Key motives for making capital expenditures, Project classifications: Independent projects, Dependent projects,, Mutually exclusive projects, Techniques of capital budgeting: Net present value (NPV), Payback period (PBP), Discounted payback period, Average accounting rate of return (AAR), Internal rate of return (IRR), Profitability Index (PI), Modified internal rate of return (MIRR), Ranking of mutually exclusive projects.

Learning Unit Four Net Contact Hours-4hrs	Short-Term Financing Decisions Meaning and nature of short term financing decisions, Alternative current asset policies, Advantages and disadvantages of short-term financing, Sources of short-term financing: Unsecured sources- accruals and trade credit, bank loan, and commercial paper, Secured sources-accounts receivable and Inventory financing.
Learning Unit Five Net Contact Hours-6 hrs	Long-Term Financing Decisions Sources of Long-term financing with their comparative advantages and disadvantages: Equity capital, Preference capital, Term loans, Debentures, Raising of long term finance-Venture capital, Initial Public Offering (IPO), Secondary public offer, Right issue, Private placements.
Learning Unit Six Net Contact Hours-8 hrs	Financial leverage and Capital Structure Policy Meaning and measures of financial leverage, Operating, Financial and total leverage, Factors affecting capital structure of a firm, Optimal capital structure, Theories of capital structure:Net Income(NI) Approach: Net Operating Income (NOI) Approach,Traditional Approach, and Modigliani and Miller (MM) Approach, Bankruptcy costs.
Learning Unit Seven Net Contact Hours-6 hrs	Dividend Policy Meaning and nature of dividend decision, Relevance and Irrelevance of dividend, Factors influencing dividend policy, Dividend stability, Stock dividend and Stock splits, Stock repurchase.
Total contact hours	48 hrs (excluding assessment and final examination)
Evaluation Scheme	In-Semester evaluation:50% End-Semester evaluation:50%
Basic Test Books	Stephen A. Ross, Randolph W. Westerfield, and Bradford D. Jordon (2012). <i>Fundamentals of Corporate Finance</i> , 9 th Edition. New Delhi: Tata McGraw-Hill Publishing Company.
References	Richard A. Brealey and Stewart C. Myers (2012). <i>Fundamentals of Corporate Finance</i> , 10 th Edition. New Delhi: Tata McGraw-Hill Publishing Company. Gitman J. Lawrence (2007). <i>Principles of Managerial Finance</i> , 11 th Edition. New Delhi: Dorling Kindersley (India) Private Limited. Eugene F. Brigham and Michael C. Ehrhardt (2012). <i>Financial Management: Theory and Practice</i> , 12 th Edition. New Delhi: Cenange Learning India Private Ltd. Pandey, I.M. (2010). <i>Financial Management</i> , 10 th Edition. New Delhi: VikasPublvishing House Pvt. Ltd.

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