

KARACHI UNIVERSITY BUSINESS SCHOOL

UNIVERSITY OF KARACHI

MBA – IV	
Course Title	: Financial Management
Course Number	: BA (M) 622
Credit Hours	: 03

Course Contents:

1. An Overview of Financial Management

Career, Opportunities in Finance, Financial Management in 1990s, Forms of Organizations, Function of Financial management, Goals of Corporations, Business Ethics, Agency Problems, Managerial Incentives, Internal Vs. External Environmental.

2. Discounted Cash Flow Analysis

Time Line, Future Value, Present Value, Interest Rate Factors, Future Value of an Annuity, Perpetuities, Uneven Cash Flow Stream, Compounding Periods, Types of Interest Rates, Fractional Time Periods, Amortized Loan.

3. Valuation Models

Securities Vs Derivatives, General Valuation Model, Bond Valuation, Preferred Stock Valuation, Common Stock Valuation, Stock Market Equilibrium.

4. Cost of Capital

Capital Components and Costs, Cost of Debt, Cost of Preferred Stocks, Cost of Retained Earnings, CAPM Approach, DCF Approach, Bond Yield Plus Risk Premium Approach Comparison, Cost of Newly Issues Common Equity, WAAC, MCC, Schedule in Capital Budgeting.

5. Basic of Capital Budgeting

Importance of Capital Budgeting, Ideas for Capital Projects, Project Classifications, Securities Between Capital Budgeting and Securities Valuation Capital Budgeting Decision Rules, NPV Vs IRP, Modified IRR, NVP Vs PI Methods, Present Value of Future Costs.

6. Project Cash Flow Analysis

Cash Flow Estimation, Relevant Cash Flows, Tax Effects, Changes in Net Working Capital, Cash Flow Analysis, Replacement Analysis, Estimation Bias, Evaluating Decision Rules, NPV Vs IRP, Modified IRR, NPV Vs PI Methods, Present Value of Future Costs.

7. Risk Analysis an Optional Capital Budget

Introduction to Project Risk, stand lone Risk, Abandonment on NPV and Stand Alone Risk, Corporate Risk, Market Risk, Risk and Capital, Risk Cash Outflows, View of Project Risk Analysis, Optimal Capital Budget Capital Rationing.

8. Long Term Financial Planning

Strategic Plans, Operating Plans, Sales Forecasts, Financial Statement Forecasting, Formula Method for Forecasting AFN, Forecasting Financial Ratios with Changes in Balance Sheet, Forecasting Financial Statements Variables, Computerized Financial Planning Models, Financial Controls.

9. Capital Structure Decision

Business and Financial Risk, Capital Structure Theory, Target Capital in Structure when Cash Flow are perpetuities, Considerations and Approaches in capital structure Decision.

10. Capital Structure Decisions: Extensions

Capital Structure theory : MM Models, The Miller Model, Criticisms of MM and Miller Modules, Trade Off Models, Asymmetries Information Model, Variations in Capital Structure, Book Weights vs. Market Weights.

11. Dividend Policy

Dividends vs. Capital Gains: Investors Preference, Dividend Policy in Practice, Changing Policies, Dividend Reinvestment Plans, Influence on Dividend Policy, Stock Repurchases, Stock Dividend, Stock Splits, Tests of dividend Theories, Dividend stability, Dividend Policy in practice, Changing Policies, Dividend Reinvestment Plans, Influence on Dividend Policy, Stock Repurchases, Stock Dividend Stock Splits.

Recommended Books:

1. Eugene F. Brigham and Louis C. Gapenski, "Financial Management Theory & Practice" Eight Edition.
2. Beartey, Stewart Myer, "Principles of Corporate Finance" McGraw-Hill, Latest Edition.
3. Shapiro, "International Financial Management", Prentice-Hall, 1999.
4. Ahmad Khan, Syed Mubashir Ali, "Corporate Finance in Pakistan", Care Studies from market, Oxford University Press, 1999.
5. H. Chew, JR, "The New Corporate Finance", Irwin McGraw-Hill, 2nd Edition 1999.
6. Merger & Acquisition

7. Bankruptcy & Reorganization
8. Islamic Financial System
9. Risk and Return

