

Veer Narmad South Gujarat University

Advance Financial Management I (FIN)

T.Y. B.B.A., Semester V

Effective from June 2013

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

- 1. VALUATION OF SECURITIES** **20%**
 - 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** **30%**
 - 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** **20%**
 - Meaning & significance,
 - Net income, Net operating income, Traditional & MM theory (Arbitrage mechanism to be excluded)

- 4. INVESTMENT DECISION UNDER RISK & UNCERTAINTY** **30%**
 - Significance, Measurement of risk,
 - Sensitivity Analysis, Simulation Analysis ,
 - Risk Evaluation :- Risk-adjusted Discount R-4 method , Certainty equivalent method, Decision- tree approach

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