Department:	Economic and Finance

Course Name:	Financial Management II	Course No.:	FIN 613
Prerequisite:	N/A	Credit Hours:	3

Brief Description:

Financial Management II is an advanced level course. Topics covered in this course include corporate governance evaluation and valuation implications, financial statement analysis and financial planning, capital budgeting and projection evaluation, cost of capital, identifying and valuing options, working capital and short-term asset management, short-term and medium-term financing, long-term financing, operating and financial leverage, capital structure determination theories, dividend policy and mergers and acquisitions.

Course Objectives:

After completion of this course the student will be able to:
1. Explain understanding of corporate finance theories and models.
2. Apply financial tools and models to solve financial issues and problems facing corporate firms
3. Demonstrate competence financial analyses and analytical results
4. Demonstrate analytical and critical thinking skills in application and solution of financial models and problem.

Course Topics:

↘ **An overview of financial management**
↘ **Capital budgeting and project evaluation**
↘ **Analysing investment risk**
↘ **Relationships between investments: portfolio theory**
↘ **Setting the risk premium: the capital asset pricing model**
↘ **Enterprise value and equity value**
↘ **Identifying and valuing options**
↘ **Working capital and short-term asset management.**
↘ **Short-term and medium-term financing**
↘ **Long-term financing**
↘ **Returning value to shareholders: the dividend decisions**
↘ **Capital structure and the required return**
↘ **Capital structure theorems**
↘ **Mergers and acquisitions and structuring**

Text Book:

1. Richard Pike, Bill Neal, Saeed Akbar and Phillips Linsley (2018), Corporate Finance and Investment, 9th edition, Pearson Education.

Additional References:

1. Michelle R. Clayman, Martin S, Fridson, and George H. Troughton, Corporate Finance: A Practical Approach, 2nd edition, John Wiley & Sons, Inc.
2. Moyer, R. C., McGuigan, J. R. and Rao, R. P. (2018), Contemporary financial management, 14th edition, Cengage Learning
3. Brigham, E. Eugene and Houston, F. Joel (2019), Fundamentals of financial management, 15th edition, Cengage Learning.

Online Resources:

↘ **Cases Studies in Finance: Understanding economic value added (9-206-016) and Coke vs Pepsi 2001 (UV0008), Blaine Kitchenware, Inc.: Capital structure (4040, 2009), NIKE, INC.: COST OF CAPITAL (UVA-F-1353)**
↘ **Bloomberg Terminal.**
↘ **Academic databases available through the University's Library website.**

Extra credit for					
Submission of solution for two finance cases on cost of capital estimation and economic value added: **NIKE, INC.: COST OF CAPITAL (UVA-F-1353) and** Coke vs Pepsi 2001 (UV0008), ↘	5	15th	✖		

Measurement & Assessment Tools:					
Objectives			Obj 1.1 &1.2	Obj 2.2	Obj 3.1
Assessment tools	Grade	Week (Time period)	1	2	3
Assignment/Case study	10	4-8th			✖
Midterm	25	10th	✖		
Oral Presentation	10	12th		✖	
Project	15	15th			✖
Final exam	40	As Dated	✖		
Total	100				
	5	15th	✖		

Tentative Course Outline:			
Week	Hours	Topics	Readings
1	3	**An overview of financial management:** the function, the agency problem and sources of conflict**,** corporate governance evaluation and value implications of corporate governance.	Chapter 1
2	3	**Capital budgeting and project evaluation:** cash flow analysis and investment appraisal methods, incremental cash flow analysis, replacement decisions, inflation and tax considerations in investment analysis	Chapter 2-3
3	3	**Analysing investment risk:** expected net present value, types and measurement	Chapter 7

		of risk, adjusting the NPV formula for risk and risk analysis in practice	
4-5	6	**Relationships between investments and portfolio theory:** modern portfolio model, basic assumptions and the efficient portfolio frontier. cost of capital, cost of capital with different sources of capital, topics in cost of capital estimation	Chapter 8
6-7	6	**Setting the risk premium and the capital asset pricing model**: security valuation and discount rates, return and risk concepts, international portfolio diversification, systematic risk, capital asset and arbitrage pricing models, Fama and French's three-factor models, the four- and five-factor models.	Chapter 9
8-9	6	**Enterprise value and equity value:** alternative methods for valuation; the discounted cash flow models, the residual income models and relative price valuation models.	Chapter 10-11
		Identifying and valuing options: share options, option pricing and application of theory of corporate finance.	Chapter 12
10	3	**Working capital and short-term asset management**: manage and measure liquidity, managing cash and marketable securities, managing account receivables, managing inventory and managing account payables	Chapter 14
11	3	**Short-term and medium-term financing:** sources of short-term financing, asset-based loans and computing cost of borrowing	Chapter 15
12	3	**Long-term financing:** corporate aims and finance, how companies raise long-term finance in practice, shareholders' funds, going public and equity issues by quoted companies, debentures, bonds and notes, financial and operating leasing and Islamic finance	Chapter 16
13-14	6	**Capital structure**: the capital structure decisions; MM proposition I without taxes and MM propositions II with taxes, cost of financial distress, agency cost, cost of asymmetric information, the optimal capital structure and trade off theory and practical issues in capital structure policy	Chapter 18
15	3	**Mergers and acquisitions:** definition and classifications, motives for merger, transaction characteristics, takeovers, regulations, merger analysis and corporate restructuring	Chapter 20
16	3	Final exam	

Approved by Dept. Chair:	Date of Approval:
Dr Fahad Al Mohaimeed	....

Extra Information: *(Updated every semester and filled by course instructor)*

Course Instructor:	**Dr Razzaque H Bhatti**
Office No:	---
Extension:	---
Email:	bhatti.razzaque@gmail.com
Office Hours:	---