

FINC7017	Power Financial Management	L	T	P	C
Version 1.0		3	1	0	4
Pre-requisites/Exposure	Basic knowledge of Fundamentals of Finance such as calculation of Present Value, Future Value, Excel Modelling				
Co-requisites	Knowledge of classification of data, data presentation				

Course Objectives

1. To help the students to develop cognizance of the importance of Financial Management in corporate valuation
2. To enable students to describe how people analyze the corporate leverage under different conditions and understand why people value different corporates in different manner.
3. To provide the students to analyze specific characteristics of Infrastructure Industry and their future action for cash flow
4. To enable students to synthesize related information and evaluate options for most logical and optimal solution such that they would be able to predict and control Debt Equity incurrence and improve results.

Course Outcomes

On completion of this course, the students will be able to

- CO1. Demonstrate the applicability of the concept of Financial Management to understand the managerial Decisions and Corporate Capital Structure
- CO2. Apply the Leverage and EBIT EPS Analysis associate with Financial Data in the corporate
- CO3. Analyse the complexities associated with management of cost of funds in the capital Structure
- CO4. Demonstrate how the concepts of financial management and investment, financing and dividend policy decisions could integrate while identification and resolution of problems pertaining to Power Sector

Catalog Description

The main objective of Financial Management in Infrastructure Sector is to help students to acquire and develop skills to take rational decisions in the process of Financing mix and assessment of Price Earnings Ratio. Wealth maximizations have always been regarded as important in financial analysis in organizations.

Leverage aspects are critical in each aspects of management and equally so for the effective management of Financial Resources. In view of Cost of Capital has assumed great importance. This course is designed primarily for students who are being exposed to capital structure , Cost of Capital, Working Capital for the first time.

This course covers the explanations about the Financial Management concepts in the organizational context, it details the impact of Source of Funding, EBIT EPS, PAT on Financial Statement. The course also focuses on understanding of identification of Financing Cost and framing of strategies and scenarios required to select and develop product line.

Classroom activities including lectures, discussions and case studies (topped up with role play) will be designed to encourage students to get involved, absorb and assimilate inputs. These activities will also be supplemented by group discussions, cooperative group solving problems, live projects, analysis of video cases and debates.

Class participation is a fundamental aspect of this course. Students will be encouraged to actively take part in all group activities and to give an oral group presentation. Students will be expected to interact with media resources, such as, web sites, videos, DVDs, and newspapers etc.

Course Content

UNIT – I 8 Lecture Hours

Introduction to Finance, Time Value of Money

Role of Finance Function, Principles of Financial Management, Scope, Rationale, Techniques, Practical Applications of Compounding and Present Value Techniques

UNIT – II 8 Lecture Hours

Capital Budgeting

Major Capital Budgeting Decisions – Concepts of Cash Flows and Cash Flow Patterns, Capital Budgeting Techniques & Limitations – Traditional (ARR, Payback Period) and modern (NPV IRR, TVM and Profitability Index); NPV Vs PI – Comparison, Economic Value Added

UNIT – III 8 Lecture Hours

Cost of Capital

Concept, Explicit and Implicit Costs, Cost of Debt – Redeemable and Perpetual, Cost of Preference Shares – Redeemable and r redeemable, Cost Equity – Dividend and CAPM Approach, Cost of Retained Earnings Overall Cost of Capital (WACC) – Assignment of Weights (Historical and Market)

UNIT – IV 8 Lecture Hours

Financing Decision

Operating , Financial and combined Leverage – Algebraic and Graphic Approach , EBIT – EPS (Indifference Curve) Analysis ,Capital Structure – Concept, theories of relevance and irrelevance Net Income/Net Operating Income Approach, Modigliani – Millar Hypothesis , Traditional Approach Optimum Capital Structure – factors and determinants

UNIT – V 8 Lecture Hours

Management Of Profits

Concept and Forms of Dividend , Determinants of Dividend policy Dividend Theories of relevance (Walter and Gordon) and irrelevance (Miller-Modigliani), and Limitations, EVA, MVA.

UNIT – VI 8 Lecture Hours

Introduction to Working Capital and Domain Industry Finance

Concept, Definition Need, Types an determinants of working Capital, Estimation & Financial Working Capital Infrastructure Sector Financial Management

Text Books

1. Financial Management, M.Y.Khan; P.K.Jain, Tata McGraw, New Delhi
2. Financial Management, Prasana Chandra, Tata McGraw, New Delhi

Reference Books

1. Financial Management, Pradeep Kumar Sinha. Excel books
- 2.

Modes of Evaluation: Quiz/Assignment/ presentation/ extempore/ Written Examination Examination Scheme:

Components	Presentation/Assignment/ etc	ES
Weightage (%)	50	50

ASSESSMENT TOOLS:

CO 1	CO2	CO3	CO4
Discussion Assignment and Case Let Analysis	Discussion Assignment, Quiz and Case Let Analysis	Case Analysis, Project Analysis, Video Analysis Presentation	Case Analysis, Project Analysis, Video Analysis Presentation

Mapping between COs and POs		
	Course Outcomes (COs)	Mapped Programme Outcomes
CO1	Demonstrate the applicability of the concept of Accounting to understand the managerial Decisions and financial statements	PO1, PO2
CO2	Apply the Financial Statement Analysis associate with Financial Data in the organization	PO7,PO8, PO3
CO3	Analyse the complexities associated with management of cost of product and services in the Organization	P14, PO4
CO4	Demonstrate how the concepts of accounting and costing could integrate while identification and resolution of problems pertaining to Power Sector	PO8, PO13, PO6

Course Outcomes	CO 1	CO 2	CO 3	CO 4
PO 1	3	3	3	2
PO 2	3	3	3	2
PO 3	3	3	3	2
PO 4	3	1	1	3
PO 5	2	2	1	3
PO 6	1	1	1	1
PO 7	3	3	1	2
PO 8	3	3	3	3
PSO 9	3	3	3	1

PSO 10	3	3	3	2
PSO 11	3	3	3	2
PSO 12	1	1	1	3
PSO 13	3	1	3	3

Relationship between the Course Outcomes (COs) and Program Outcomes (POs)

		Students will be able to develop and evaluate alternate managerial choices and identify optimal solutions.	Students will demonstrate effective application capabilities of their conceptual understanding to infrastructure planning, development and management	Students will be able to exhibit effective decision-making skills, employing analytical and critical thinking ability for planning, development and management of soft and hard infrastructure projects and facilities	Students will demonstrate effective oral and written communication skills in the professional context	Students will be able to work effectively in teams and demonstrate team-working capabilities	Students will exhibit leadership and networking skills	Students will demonstrate sensitivity towards ethical and moral issues and have ability to address them in the context of urban planning, development and management including cost effective financing and good governance	8. Students will demonstrate employability traits in line with the needs of changing hard and soft urban infrastructure sector	Students will demonstrate strong conceptual knowledge and execution in soft and hard infrastructure planning, development, management, financing, regulation and governance	Students will demonstrate analytical skills to understand issues with remedial solutions relating to urban infrastructure	Students will exhibit the ability to integrate planning, construction & development, operation & management, financing, regulation and governance of urban infrastructure projects and facilities	Students will exhibit the ability to integrate planning, construction & development, operation & management, financing, regulation and governance of urban infrastructure projects and facilities	Students will exhibit the ability to integrate technical, economic, social and regulatory frameworks for urban infrastructure sector planning and resource management
Course Code	Financial Management in Power Sector	PO1	PO2	PO3	PO4	PO5	PO6	PO7	PO8	PO9	PO10	PO11	PO12	PO13
FINC7017	CO1	2	3	2	3	2	3	2	3	3	2	1	2	3

Model Question Paper

Name: Enrolment No:			
Course: Power Financial Management Programme: MBA PM Semester: EVEN-2018-19 Time: 03 hrs. Max. Marks: 100			
Instructions: Attempt all questions from Section A (each carrying 1 marks); all Questions from Section B (each carrying 15 5marks); any 3 questions from Section C (each carrying 10 marks); all questions from Section D (each carrying 30 marks)			
SECTION A (Attempt all questions)			
1.	If the percentage change in EPS is +80% and the percentage in EBIT is +40 %, the degree of Financial Leverage is	[1]	CO3
2.	Discount/Premium is computed as a % of	[1]	CO1
3.	If the investment of the machinery is Rs. 50000 and it will generate Rs. 10000 each year for 10 years, Pay Back Period is	[1]	CO2
4.	If EBIT is Rs. 1,00,000 and Ko is 15% then the value of V would be	[1]	CO4
5.	Company Mahan Ltd. has EPS of Rs. 10 per share , Cost of Equity (Capitalization Rate) = 10%, Rate of Return on Investment = 15%, b= 50%. The price per share as per Gordan Model is	[1]	CO3
6.	Price Increases with the Increase in the D/P ratio. This is the proposition of	[1]	CO1
7.	Gross Working Capital and Net Working Capital	[1]	CO2
8.	IRR and ARR	[1]	CO4
9.	Operating Leverage and Financial Leverage	[1]	CO3
10.	Market value of Equity is Rs. 20, 00,000 and the Market Value of Deb is Rs. 10,00,000 .Cost of Debt is 10% and Cost of equity is 15%. The Overall Cost of Capital is.....(Using $K_o = K_i (B/V) + K_e (S/V)$)	[1]	CO1
11	Bird in the hand argument as per Gordan model is defined as	[1]	CO2
12.	Operating Cycle is defined as	[1]	CO4
13.	Rate of Interest is 15% pa. Effectively Quarterly Compounding Rate is	[1]	CO3
14.	Beta as per CAPM model- Cost of Equity Calculation is defined as	[1]	CO1
15.	Capital Structure is defined as	[1]	CO2
16.	Net working capital is equal to	[1]	CO4
17.	Cost of Equity (As per Dividend Growth Model) is equal to	[1]	CO3
18.	Time Value of Money is defined as	[1]	CO1

19.	Net Operating Income of Capital Structure interprets that	[1]	CO2
20.	Unsystematic Risk is defined as	[1]	CO4
SECTION B (Attempt all questions)			
21.	How Capital Structure is constructed considering the impact on value of the firm and overall (WACC) cost of Capital using Net Income Approach of Capital Structure?	[5]	CO1
22.	(a) X deposits Rs. 2,00,000 in a Bank account which pays 10% interest. How much can be withdraw annually for a period of 15 years? (b) ABC Limited has just declared and paid dividend at the rate of 15% on the equity share of Rs. 100 each. The expected future growth in dividend is 12%. Find out the cost of capital for equity shares given that market value of the shares is Rs. 168	[5]	CO4
23.	What is Financial Management : What are various Functions of Financial Management	[5]	CO1
24.	ABC Company has debentures outstanding with 5 years maturity. The debentures are selling at Rs. 95 (Discount Rs. 5, Face Value Rs. 100). The Coupon Rate is 10% p.a. The Corporate Tax Rate is 30%. Floatation Cost is 5% of the Face Value. Calculate the Cost of Debentures	[5]	CO2
SECTION C (Attempt any 3 questions)			
25.	The annuity deposit scheme of PNB provides for fixed monthly income for suitable periods of the depositors choice. The rate of Interest is 12% p.a. which is compounded at quarterly intervals. If an initial deposit of Rs. 10,000 is made for an annuity period of 80 months, what is the amount of monthly annuity	[10]	CO2
26.	(a) The EPS of TDC Company is Rs. 45. The company is examining to adopt dividend payout ratios o 50% ,75% and 100%. Calculate the market value of Company's share using Walter's model of dividend policy if the rate of return on investments is 20% given the Capitalization Rate (K_e) is 10%. (b) A firm sells the product at Rs. 200 per and variable cost is Rs. 100 per unit. Fixed Operating Costs of Rs. 1,00,000 per year. Given Sales Level is 8000 Units. Show the Degree of Operating Leverage if sales changes to 4000 Units and 12000 Units respectively	[10]	CO4
27.	(a) How Net Income Model of Capital Structure Functions with the increase as well as decrease in the ratio of Debt to Equity? (b) Explain the following: (i) Gordan Model of Dividend Policy (ii) Credit Policy (iii) Cost of Receivable Management	[10]	CO2
28.	Calculate the cost of Debt for each of the following situations: (a) Debentures are sold at par and floatation cost are 5 % (b) Debenture are sold at premium of 10% and flotation are 5% (c) Debentures are sold at Discount of 5% and flotation are 5% Assume the Coupon Rate of Interest on Debentures is 15%, Face Value of Debentures is Rs. 100, maturity is 10 years , tax rate is 35% in all the cases	[10]	CO4
SECTION D(Attempt all questions)			

29.	Turbo Ltd. is desirous to purchase a business and has consulted you and one point on which you are asked to advise them is the average amount of working capital which will be required in the first years' working, You are given the following estimates and are instructed to add 10% to your computed figure to allow for contingencies	[30]	CO4														
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