



## QURTUBA UNIVERSITY

Of Science and Information Technology

D.I Khan, Peshawar Khyber Pakhtunkhwa, Pakistan.

<b>Course Name</b>	<b>Corporate Finance</b>
<b>Course Code</b>	<b>FIN310</b>
<b>Semester</b>	<b>7th</b>
<b>Credit Hours</b>	<b>03</b>
<b>Total Weeks</b>	<b>16/18</b>
<b>Total Hours</b>	<b>48/54</b>
<b>Total Marks</b>	<b>100</b>
<b>Pre-requisite</b>	<b>None</b>

### Course objectives

In this course you will study the main issues in modern corporate finance. The subject 'corporate finance' is a well-established discipline, which is concerned with corporations large enough to have issued shares that are 'quoted' on a stock market. We must, though, first clarify what we mean by the *main* issues, for the issues that are important to one person may be viewed as less important by others.

### Grading Criteria

<b>Distribution</b>	<b>Weight</b>
Quizzes, Assignments, and class participation	10
Mid Term	20
Final Term	70
Total	100

### Recommended Book:

- i. Fundamentals corporate finance by Ross, Westerfield & Jordan.
- ii. Financial Management theory & Practice by Eugene F. Brigham & Lons, G. Gapenski. s

### WEEK WISE BREAKDOWN

<b>Week</b>	<b>Description</b>
<b>1,2</b>	<b>Introduction to Corporate Finance and corporation</b> <ul style="list-style-type: none"> <li>• Basic Concept of corporate Finance.</li> <li>• Important Financial Management Decisions.</li> <li>• Difference among Cash, Fund &amp; Finance (Assignment).</li> </ul>
<b>3,4</b>	<b>Management of Common Stock:</b>

	<ol style="list-style-type: none"> <li>1. Concept of Capital Stock and aspect of ownership in common stock.</li> <li>2. Par value &amp; no par value concept of C/stock.</li> <li>3. Difference among authorized, issued &amp; outstanding shares.</li> <li>4. Classes of common stock.</li> <li>5. Right of common Stockholders.</li> <li>6. Distribution of earning &amp; assets rights. <ul style="list-style-type: none"> <li>➤ Preemptive Rights</li> <li>➤ Voting Rights.</li> <li>➤ Other Rights.</li> <li>➤ Voting Rights.</li> </ul> </li> </ol> <ol style="list-style-type: none"> <li>1. Majority Voting System.</li> <li>2. Cumulative Voting System. <ul style="list-style-type: none"> <li>Importance of Proxy Voting.</li> <li>➤ Selling Common Stock.</li> <li>➤ Advantages &amp; Disadvantages of Common Stock.</li> </ul> </li> </ol>
<p><b>5,6</b></p>	<p><b>Management of Preferred Stock:</b></p> <ul style="list-style-type: none"> <li>➤ Introduction of preferred Stock.</li> <li>➤ Concept of Par Value and no Par Value Preferred Stock.</li> <li>➤ Basic Rights of Preferred Stockholders.</li> <li>➤ Distribution of assets, earnings and voting right ( in special situation)</li> </ul> <p><b>Features of Pref: Stock.</b></p> <ol style="list-style-type: none"> <li>i. Restrictive covenants.</li> <li>ii. . Cumulation.</li> <li>iii. Participation.</li> <li>iv. Call Feature.</li> <li>v. Conversion Feature.</li> </ol> <p>Special Types of Pref: Stock.</p> <ol style="list-style-type: none"> <li>i. Adjustable rate Preferred Stock. (ARPs)</li> <li>ii. Payment in kind Preferred Stock. (PIK)</li> <li>iii. Money market Pref: Stock. (MMP)</li> </ol> <ul style="list-style-type: none"> <li>➤</li> </ul>
<p><b>7,8,9</b></p>	<p><b>Management of Dividend:</b></p> <ul style="list-style-type: none"> <li>• Basic concept of dividend.</li> <li>• Cash dividend payment procedure.</li> <li>• Factors influencing dividend policy.</li> <li>• Dividend policy theories. <ul style="list-style-type: none"> <li>➤ The residual theory of dividend.</li> <li>➤ Dividend irrelevance theory arguments.</li> <li>➤ Dividend relevance theory arguments.</li> </ul> </li> <li>➤ Types of dividend policies. <ul style="list-style-type: none"> <li>➤ Constant-payout-ratio dividend policy.</li> <li>➤ Regular dividend policy</li> <li>➤ Low-regular and extra dividend policy.</li> </ul> </li> </ul>
<p><b>Two Assignments + Two Test Mid Term Exam</b></p>	
<p><b>10,11</b></p>	<p><b>Investment Banking.</b></p>

	<ul style="list-style-type: none"> <li>➤ Basic concept of Investment banking.</li> <li>➤ Functions of the investment banker. <ul style="list-style-type: none"> <li>i. Underwriting.</li> <li>ii. Private Placement.</li> <li>iii. Best Efforts Basis.</li> <li>iv. Advising.</li> </ul> </li> <li>➤ Organization of Investment Banking Activity.</li> <li>➤ Cost of Investment banking Services.</li> </ul>
<b>12,13</b>	<p><b>Leverage.</b></p> <ul style="list-style-type: none"> <li>➤ Basic Concept of Leverage.</li> <li>➤ Operating Leverage.</li> <li>➤ Calculation of DOL.</li> <li>➤ Breakeven analysis. <ul style="list-style-type: none"> <li>Algebraic Approach &amp; Graphical Presentation.</li> </ul> </li> <li>➤ Financial Leverage.</li> <li>➤ Calculation of DFL.</li> <li>➤ Total Leverage. <ul style="list-style-type: none"> <li>Calculation of DTL</li> </ul> </li> </ul>
<b>14,15</b>	<p><b>Merger Fundamentals.</b></p> <ul style="list-style-type: none"> <li>➤ Basic Concept of Corporate Restructuring Merger and Consolidation.</li> <li>➤ Basic Merger Concepts. <ul style="list-style-type: none"> <li>➤ Acquiring Versus Target Companies.</li> <li>➤ Friendly vs Hostile Takeovers.</li> <li>➤ Strategic vs Financial Merger.</li> <li>➤ Motives for Merger.</li> <li>➤ Types of Merger.</li> <li>➤ Merger Process.</li> <li>➤ Leveraged Buyouts (LBO).</li> </ul> </li> </ul>
<b>16</b>	<p><b>Mgt. Of Inventory.</b></p> <ul style="list-style-type: none"> <li>➤ Meaning and Types of Inventory. <ul style="list-style-type: none"> <li>i. ABC system.</li> <li>ii. EOQ model - The reorder point.</li> </ul> </li> <li>i. Just in time system.</li> <li>iv. Safety Stock.</li> <li>v. Material requirements planning (MRP).</li> </ul>

### Learning Outcomes:

- Analyze major corporate finance issues
- Demonstrate knowledge of the theory underpinning corporate valuation
- Demonstrate knowledge of the basics of risk and return for cost of capital valuation
- Recognize and understand the principles underlying risk management and options valuation
- Understand dividend policy for increasing shareholder value