

DISCIPLINE SPECIFIC ELECTIVE (DSE) COURSES

DSE 1: STRATEGIC CORPORATE FINANCE

CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES OF THE COURSE

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/ Practice		
Strategic Corporate Finance DSE-1	4	3	1	0	Class XII	NA

Course Objectives:

- To know the details of corporate finance and the strategies involved in the corporate decisions.
- To enable the students to steer the corporate issues and challenges in better manner.

Learning Outcomes:

After studying this course the student will be able:

- To enable the student to identify the key themes in corporate finance.
- To understand the principal role of finance in an organization and the implication of overarching strategic application of its efficient use on the bottom line of the organization.
- To facilitate the understanding on the impact of risk and cost of capital on investment appraisal besides their cumulative impact on the value of a capital project.

Course Contents:

Unit 1

(12 hours)

Introduction to strategic corporate finance: Strategy Vs Planning, significance of strategy in financial decisions, Different types of financial strategy for Shareholders Wealth Maximization, Economic Value Addition, Value added statement. Strategic Cost Management: Traditional costing Vs Strategic Costing, Relevant costs Vs Irrelevant costs, Different types of strategic costing and their relevance-

Target Costing, Activity based Costing, Life Cycle Costing, Quality Costing, Zero Based Budgeting, Strategic cost reduction techniques and value chain analysis.

Unit 2

(12 hours)

Management Buy-outs: Establishing feasibility of the buy-out, Negotiating the main terms of the transaction with the vendor including price and structure, Developing the business plan and financial forecasts in conjunction with the buy-out team for submission to potential funders.

Management Buy-ins: Management Buy-in/Buy-outs (“BIMBOs”), Vendor-initiated buyouts/buy-ins.

Real options: Financial and real options compared, various types of real options, the Black Scholes model, Decision tree analysis, application of Real options, Drawbacks of Real options.

Unit 3

(12 hours)

Financial Distress and restructuring: Meaning of Bankruptcy, Factors leading to bankruptcy, symptoms and predictions of bankruptcy, reorganization of distressed firms, liquidation of firms.

Company disposals: sale of a non-core subsidiary, Exit strategy, valuation, timing of sale and tax planning opportunities and calculation of the various tax implications.

Fundraising: identification of different sources of development capital, determination of capital structure and factors affecting the capital structure, cost of capital and cost saving strategy.

Unit 4

(9 hours)

Company Valuation: an overview of valuation, valuation principles and practices, the impact of “what if” scenarios. Other strategic issues: managing credit ratings, dividend and share repurchase policy. Strategic risk management, substitutability of capital structure, risk management choices, financial, physical and operational hedging.

Essential Readings:

1. Justin Pettit: Strategic Corporate Finance Applications in Valuation and Capital Structure; John Willey & Sons, Inc.
2. Aswath Damodaran: Corporate finance theory and practice; John Willey & Sons.

Additional Readings:

1. Jakhota: Strategic Financial Management, Vikas Publication.
2. Aswath Damodaran: Applied Corporate Finance, John Willey & Sons.

Examination scheme and mode:

Evaluation scheme and mode will be as per the guidelines notified by the University of Delhi.