



INSTITUTE of BUSINESS MANAGEMENT
College of Business Management
Course Outline
Finance and Risk Management

Course Contents

Topics	Topics	Readings
	Overview of Finance <ul style="list-style-type: none"> ➤ Significance of finance in corporate organizations ➤ Value maximization - the logical financial goal of the corporation & business ethics ➤ Stakeholders and their divergent objectives ➤ The problem of Agency ➤ Role of Finance in the Not-for-Profit Sector ➤ SMEs 	Chapter 1 of the Textbook
	Free Cash Flow (FCF) Valuation <ul style="list-style-type: none"> ➤ Computing FCFF and FCFE from Net Income ➤ Computing FCFF and FCFE from the Statement of Cash Flows ➤ Finding FCFF and FCFE from EBIT or EBITDA ➤ FCFF and FCFE on a Usage-of-free-Cash-Flow Basis ➤ Forecasting FCFF and FCFE ➤ Other Issues in Free Cash Flow Analysis ➤ Estimating the share value using FCF 	Chapters 2 and 7 of the textbook
	Analysis of Financial Statement <ul style="list-style-type: none"> ➤ Ratio analysis <ul style="list-style-type: none"> ○ Ratios ○ Common-size statements ○ Percent change statement ➤ DuPont equation ➤ Limitations of ratio analysis 	Chapter 3 of the Textbook
	Bond Valuation <ul style="list-style-type: none"> ➤ Bond valuation ➤ Measuring yield ➤ Assessing risk 	Chapter 5 of the Textbook
	Stock Valuation <ul style="list-style-type: none"> ➤ Features of common stock 	Chapter 7 of the Textbook

	<ul style="list-style-type: none"> ➤ Valuing common stock <ul style="list-style-type: none"> ○ Dividend growth model ○ Free cash flow valuation model ○ Market multiples ➤ Preferred stock 	
	Capital Budgeting Decisions <ul style="list-style-type: none"> ➤ The Capital Budgeting Process ➤ Basic Principles of Capital Budgeting ➤ Capital Budgeting Techniques ➤ Profitability Index ➤ Ranking Conflicts between NPV and IRR and MIRR ➤ The Multiple IRR Problem and the NO IRR Problem ➤ Popularity and Usage of the Capital Budgeting Methods 	Chapters 10 and 11 of the textbook
	Risk Management <ul style="list-style-type: none"> ➤ Historical Return and Risk ➤ Expected Risk and Return ➤ Portfolio Return Volatility, Standard Deviation ➤ Business Risk and Its Components ➤ Sales Risk ➤ Operating Risk ➤ Financial Risk ➤ The Risks of Creditors and Owners ➤ Foreign Currency Risk ➤ Interest Rate Risk 	Chapter 6 of the textbook
	Cost of Capital and Systematic Risk <ul style="list-style-type: none"> ➤ Cost of Equity (CAPM) ➤ Beta computation ➤ Cost of preferred shares ➤ Cost of debt instruments ➤ Weighted Average Cost of Capital with and without taxes ➤ Costs of Asymmetric Information 	Chapter 9 of the textbook

Books / Reference Materials:

1. Financial Management. Theory & Practice Authors: Eugene F. Brigham and Michael C. Ehrhardt, 16th Edition
2. Fundamentals of Financial Management by Eugene F. Brigham and Joel E. Houston, latest available edition