

Title: Corporate Finance**Code: FIN 385****Credit Hours: 3****Year /Semester: IV/VIII****48 Hours**

Course objectives:

This course aims to provide the students with basic understandings of corporate finance. This course familiarize the students with term loan and lease financing, common stock financing, long term debt and preferred stock financing, dividend policy and multinational financial management.

Unit 1 Introduction to Corporate Finance**4 Hours**

Corporate finance and financial manager; Financial manager's responsibilities; Managerial actions to maximize shareholders' wealth; The agency problem: stockholders versus managers and stockholders versus creditors; Corporate social responsibilities

Unit 2 Term Loans and Lease Financing**10 Hours**

Meaning of term loan, Characteristics of term loans, repayment schedule, Lease financing: significance of lease financing, types of lease, evaluating lease financing in relation to debt financing

Unit 3 Common Stock Financing**10 Hours**

Features of common stock; Rights of common stockholders; Advantages and disadvantages; The market for common stock; Methods of selling securities: public offering, rights offering and private placement; Analysis of rights offering and effect of rights offering on shareholders' wealth

Unit 4 Long-Term Debt and Preferred Stock Financing**8 Hours**

Types of long-term debt instruments, trustee and indenture, Call provision, Sinking fund, Advantages and disadvantages; Preferred stock: features, types, advantages and disadvantages, Use of debenture and preferred stock in Nepalese capital market

Unit 5 Dividend Policy**6 Hours**

Concept of dividend policy, Factors influencing dividend policy, Dividend payment procedures, stock dividends and stock splits, Types of dividend policy: Residual policy and Stability in dividend.

Unit 6 Multinational Financial Management**10 Hours**

Multinational corporations; Multinational versus domestic financial management; Exchange rates: direct and indirect quotation, cross rate; The international monetary system: floating exchange rate and pegged exchange rate; Trading in foreign exchange: Spot rates and forward rates; Interest rate parity; Purchasing power parity

Reference Books:

1. James C. Van Horne, *Financial Management and Policy*, Prentice Hall of India, New Delhi
 2. Eugene F. Brigham, and Michael C. Ehrhardt, *Financial Management: Theory and Practice*, Thomson Asia, Singapore.
 3. Ross, S. A., Westerfield, R. W. & Jordan, B. D. *Fundamentals of Corporate Finance*. New York: McGraw-Hill Irwin
 4. Paudel, R. B., Baral K. J., Gautam R. R. & Rana S. B. *Fundamentals of Corporate Finance*. Kathmandu: Asmita Books Publishers and Distributors.
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