

PAPER 2: ADVANCED FINANCIAL MANAGEMENT (100 MARKS)

Objective

To acquire the ability to apply financial management theories and techniques in strategic decision making.

Contents

1 Financial Policy and Corporate Strategy

- i Advanced role of CFO in various matters including Value Creation
- ii Strategic decision making framework
- iii Interface of Financial Policy and strategic management
- iv Balancing financial goals vis-à-vis sustainable growth

2 Risk Management

- i Identification of types of Risk faced by an organisation
- ii Evaluation of Financial Risks
- iii Value at Risk (VAR)
- iv Evaluation of appropriate method for the identification and management of financial risk

3 Advanced Capital Budgeting Decisions

- i Current trends in Capital Budgeting
 - Impact of Inflation on Capital Budgeting Decisions
 - Impact of change in technology on Capital Budgeting
 - Impact of change in Government Policies on Capital Budgeting
- ii Dealing with Risk in Investment Decisions
- iii Internal and External Factors affecting capital budgeting decision
- iv Methods of incorporating risk in Capital Budgeting
- v Adjusted Present Value
- vi Optimum Replacement Cycle

4 Security Analysis

- i Fundamental Analysis
- ii Technical Analysis
 - Meaning
 - Assumptions
 - Theories and Principles
 - Charting Techniques - Basics
 - Efficient Market Hypothesis (EMH) Analysis
- iii Equity Research and tools available

5 Security Valuation

- i Theory of Valuation
- ii Return Concepts
- iii Equity Risk Premium
- iv Required Return on Equity
- v Discount Rate Selection in Relation to Cash Flows
- vi Approaches to Valuation of Equity Shares
- vii Valuation of Preference Shares
- viii Valuation of Debentures/ Bonds
- ix Role and Responsibilities of Valuers
- x Precautions need to be taken by a Valuer before accepting any valuation assignment

6 Portfolio Management

- i Portfolio Analysis
- ii Portfolio Selection
- iii Capital Market Theory
- iv Portfolio Revision

- v Portfolio Evaluation
- vi Asset Allocation
- vii Fixed Income Portfolio
- viii Risk Analysis of Investment in Distressed Securities
- ix Alternative Investment Avenues
 - Real Estate
 - Gold
 - Private Equity
 - REITs
 - Hedge Funds
 - ETFs
 - Mutual Funds
 - Commodities

7 Securitization

- i Introduction
- ii Concept and Definition
- iii Benefits of Securitization
- iv Participants in Securitization
- v Mechanism of Securitization
- vi Problems in Securitization
- vii Securitization Instruments
- viii Pricing of Securitization Instruments
- ix Risks in Securitization
- x Tokenization
- xi Securitization in India

8 Mutual Funds

- i Meaning
- ii Types
- iii Advantages and Disadvantages of Mutual Funds
- iv Evaluation of Mutual Funds
- v Role of Fund Manager in Mutual Funds
- vi Hedge Funds
- vii Role of FIs in Mutual Funds

9 Derivatives Analysis and Valuation

- i Introduction to Forwards, Futures and Options
- ii Futures Market
- iii Pricing of Forwards and Futures
- iv Hedging using Futures
- v Options
 - Option Pricing
 - Option Greeks
 - Exotic Options
- vi Credit Derivatives
- vii Real Options
- viii Derivative Mishaps and Lessons
- ix Swaps
- x Commodity Derivatives
- xi Weather Derivatives
- xii Electricity Derivatives

10 Foreign Exchange Exposure and Risk Management

- i Factors affecting foreign exchange rate
- ii Role of SWIFT in Foreign Exchange
- iii National and International Payment Gateways

- iv Exchange rate determination
- v Foreign currency market
- vi Management of Foreign Exchange Risk

11 International Financial Management

- i International Capital Budgeting
 - Offshore Investment Strategies vis-à-vis Domestic Capital Budgeting
 - Project vis-à-vis Parent Cash Flows
 - Discounting Rate and Adjusting Cash Flows
 - Adjusted Present Value
- ii Raising funds from International Sources
- iii Sovereign Funds
- iv International Financial Centre (GIFT City)
- v International Working Capital Management
 - Multinational Cash Management
 - Objectives of Effective Cash Management
 - Optimization of Cash Flows/ Needs
 - Multinational Receivable Management
 - Multinational Inventory Management

12 Interest Rate Risk Management

- i Benchmark Rates
- ii Interest Rate Risk
- iii Hedging Interest Rate Risk
 - Traditional Methods
 - Asset and Liability Management (ALM)
 - Forward Rate Agreement (FRA)
 - Modern Methods including Interest Rate Derivatives
 - Interest Rate Futures
 - Interest Rate Options
 - Swaps
 - Swaptions

13 Business Valuation

- i Conceptual Framework of Valuation
- ii Approaches/ Methods of Valuation
 - Assets Based Valuation Model
 - Earning Based Models
 - Cash Flow Based Models
 - Measuring Cost of Equity
 - Capital Asset Pricing Model (CAPM)
 - Arbitrage Pricing Theory
 - Estimating Beta of an unlisted company
 - Relative Valuation
 - Steps involved in Relative Valuation
 - Equity Valuation Multiples
 - Enterprise Valuation Multiple
 - Other Approaches to Value Measurement
 - Economic Value Added (EVA)
 - Market Value Added (MVA)
 - Shareholder Value Analysis (SVA)
 - Arriving at Fair Value
- iii Going concern and Non Going concern valuation
- iv Valuation of Distressed Companies
- v Valuation of Start ups
- vi Valuation of Digital Platforms
- vii Valuation of Professional/ Consultancy Firms
- viii Impact of ESG on valuation

14 Mergers, Acquisitions and Corporate Restructuring

- i Conceptual Framework
- ii Rationale
- iii Forms
- iv Mergers and Acquisitions
 - Financial Framework
 - Takeover Defensive Tactics
 - Reverse Merger
- v Divestitures
 - Partial Sell off
 - Demerger
 - Equity Carve outs
- vi Ownership Restructuring
 - Going Private
 - Management/ Leveraged Buyouts
- vii Unlocking the value through Mergers & Acquisitions and Business Restructuring
- viii Cross Border Mergers
- ix Special Purpose Acquisition Companies (SPACs)

15 Startup Finance

- i Introduction including Pitch Presentation
- ii Concept of Unicorn
- iii Startup Initiative of GOI
- iv Sources of Funding
- v Succession planning in Business

