



INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)

Dundigal, Hyderabad -500 043

MASTER OF BUSINESS ADMINISTRATION

COURSE DESCRIPTOR

Course Title	STRATEGIC INVESTMENT AND FINANCING DECISIONS			
Course Code	CMB419			
Programme	MBA			
Semester	IV			
Course Type	PROFESSIONAL ELECTIVE-IV			
Regulation	IARE - R16			
Course Structure	Lectures	Tutorials	Practical Work	Credits
	3	-	-	3
Chief Coordinator	Ms. S.Sireesha, Assistant Professor, MBA			
Course Faculty	Ms. B.Tulasi Bhai, Assistant Professor, MBA			

I. COURSE OVERVIEW:

This course helps to understand the role of financial strategies and emphasizing the integration of the finance function within the context of managerial decision-making and corporate planning to the wider external environment. It explores the importance of financial planning, analysis and also the role of a chief financial officer (CFO) in any organization. The role of short-term funds and capital budgeting in strategic decision making is explored. Evaluate the financial resources and different financial decisions like corporate restructuring and its forms such as spin-offs, divestiture, joint ventures, mergers and acquisitions. Awareness of critical analysis of appraisal techniques and financing decisions is provided.

II. COURSE PRE-REQUISITES:

Level	Course Code	Semester	Prerequisites
PG	CMB008	I	Financial Management

III. MARKS DISTRIBUTION:

Subject	SEE Examination	CIA Examination	Total Marks
Strategic Investment and Financing Decision	70 Marks	30 Marks	100

IV. DELIVERY / INSTRUCTIONAL METHODOLOGIES:

✓	Chalk & Talk	✗	Quiz	✓	Assignments	✓	MOOCs
✓	LCD / PPT	✓	Seminars	✗	Mini Project	✓	Videos
✗	Open Ended Experiments						

V. EVALUATION METHODOLOGY:

The course will be evaluated for a total of 100 marks, with 30 marks for Continuous Internal Assessment (CIA) and 70 marks for Semester End Examination (SEE). Out of 30 marks allotted for CIA during the semester, marks are awarded by taking average of two CIA examinations or the marks scored in the make-up examination.

Semester End Examination (SEE): The SEE is conducted for 70 marks of 3 hours duration. The syllabus for the theory courses is divided into five units and each unit carries equal weightage in terms of marks distribution. The question paper pattern is as follows. Two full questions with “either” or “choice” will be drawn from each unit. Each question carries 14 marks. There could be a maximum of two sub divisions in a question.

The emphasis on the questions is broadly based on the following criteria:

50 %	To test the objectiveness of the concept.
50 %	To test the analytical skill of the concept OR to test the application skill of the concept.

Continuous Internal Assessment (CIA):

CIA is conducted for a total of 30 marks (Table 1), with 25 marks for Continuous Internal Examination (CIE), 05 marks for Alternative Assessment Tool (AAT).

Table 1: Assessment pattern for CIA

Component	Theory		Total Marks
	CIE Exam	AAT	
CIA Marks	25	05	30

Continuous Internal Examination (CIE):

Two CIE exams shall be conducted at the end of the 8th and 16th week of the semester respectively. The CIE exam is conducted for 25 marks of 2 hours duration consisting of two parts. Part–A shall have five compulsory questions of one mark each. In part–B, four out of five questions have to be answered where, each question carries 5 marks. Marks are awarded by taking average of marks scored in two CIE exams.

Alternative Assessment Tool (AAT):

Marks shall be awarded considering the average of two AAT for every course. The AAT may include seminars, assignments, term paper, open ended experiments, five minutes video and MOOCs.

VI. HOW PROGRAM OUTCOMES ARE ASSESSED:

Program Outcomes (POs)		Strength	Proficiency assessed by
PO1	Managerial Skills: Apply knowledge of management theories and practices to solve business problems.	2	Guest Lectures
PO2	Decision making Skills: Foster analytical and critical thinking abilities for data-based decision making.	2	Seminars
PO6	Entrepreneurial Skills: Ability to demonstrate the skills and evaluate issues related to entrepreneurship and to develop as entrepreneurs.	3	Guest Lectures
PO7	Strategic analysis: Ability to conduct strategic analysis using theoretical and practical applications.	2	Seminars

3 = High; 2 = Medium; 1 = Low

VII. COURSE OBJECTIVES :

The course should enable the students to:	
I	Understand the role of financial strategies
II	Evaluate the financial resources and different financial decisions.
III	Apply Strategies to avoid risk in the business and to face uncertainties.

VIII. COURSE OUTCOMES (COs):

CO Code	CO's	At the end of the course, the student will have the ability to:	PO's Mapped	Strength of Mapping
CMB419.01	CO1	State the concepts of risk and uncertainty, risk analysis in investment decisions, risk adjusted rate of return and certainty equivalents.	PO1	2
CMB419.02	CO2	Examine the probability distribution of cash flows decision trees, sensitivity analysis and Monte Carlo approach to simulation.	PO1	2
CMB419.03	CO3	Enumerate the investment decisions under capital constraints like capital rationing, portfolio risk and diversified projects.	PO1	2
CMB419.04	CO4	Familiarize different types of investment, disinvestments, project abandonment decisions and evidence of internal rate of return.	PO2	2
CMB419.05	CO5	Explain the concept of multiple internal rate of return, Modified internal rate of return, pure, simple and mixed investments.	PO2	2
CMB419.06	CO6	Determine the Lorie savage paradox, adjusted net present value and know the impact of inflation on capital budgeting decisions.	PO2	2
CMB419.07	CO7	Demonstrate the discounted pay back, post pay back, surplus life, surplus payback and bail out pay back.	PO6	3
CMB419.08	CO8	Express the concepts of return on investment, equivalent annual cost, terminal value, single period constraints, multi period capital constraints and unresolved problem..	PO6	3
CMB419.09	CO9	Apply the techniques of net present value, mean variance analysis hertz simulation, hillier approaches and the significance of information and data bank in project selections.	PO6	3
CMB419.10	CO10	Discuss the concepts of lease financing, leasing Vs. Operating risk, borrowing vs procuring, hire purchase and installment purchase decisions.	PO7	2
CMB419.11	CO11	Examine the lease risk management, lease as a financing decision, advantages of leasing and leasing decision in practice.	PO7	2
CMB419.12	CO12	Describe the concept, theories, types of mergers, basic issues of mergers and acquisitions, cost of mergers, government guidelines for takeover and problems on mergers and acquisitions.	PO7	2

3 = High; 2 = Medium; 1 = Low

IX. MAPPING COURSE OUTCOMES LEADING TO THE ACHIEVEMENT OF PROGRAM OUTCOMES:

COs	Program Outcomes (POs)							
	PO1	PO2	PO3	PO4	PO5	PO6	PO7	PO8
CO 1	2							
CO 2	2							
CO 3	2							
CO 4		2						
CO 5		2						
CO 6		2						
CO 7						3		
CO 8						3		
CO 9						3		
CO 10							2	
CO 11							2	
CO 12							2	

3 = High; 2 = Medium; 1 = Low

X. ASSESSMENT METHODOLOGIES – DIRECT

CIE Exams	PO1,PO2, PO6,PO7.	SEE Exams	PO1, PO2, PO6,PO7	Assignments	--	Seminars	PO2, PO7.
Laboratory Practices	-	Guest Lecture	PO1, PO6.	Mini Project	-	Certification	-
Term Paper							

XI. ASSESSMENT METHODOLOGIES - INDIRECT

√	Assessment of course Outcomes (by feedback, once)	√	Student feedback on faculty (twice)
X	Assessment of mini projects by experts		

XII. SYLLABUS

UNIT– I	INVESTMENT DECISIONS UNDER CONDITIONS OF RISK
Concepts of risk and uncertainty. Risk analysis in investment decisions. Risk adjusted rate of return, certainty equivalents, and probability distribution of cash flows, decision trees, sensitivity analysis and Monte Carlo approach to simulation. Investment decisions under capital constraints: capital rationing vs. portfolio. Portfolio risk and diversified projects.	
UNIT–II	INVESTMENTS AND DISINVESTMENTS
Types of investments and disinvestments, project abandonment decisions, evidence of internal rate of return. Multiple internal rate of return modified internal rate of return, pure, simple and mixed investments. Lorie savage paradox. Adjusted net present value and Impact of inflation on capital budgeting decisions.	

UNIT-III	CRITICAL ANALYSIS OF APPRAISAL TECHNIQUES
Discounted pay back, post pay back, surplus life and surplus payback, bail out pay back, return on investment, equivalent annual cost, terminal value, single period constraints, multi period capital constraint and an unresolved problem. Net present value mean variance analysis, hertz simulation and hillier approaches. Significance of information and data bank in project selections.	
UNIT- IV	STRATEGIC ANALYSIS OF SELECTED INVESTMENT DECISIONS
Lease financing, leasing vs. operating risk, borrowing vs. procuring. Hire purchase and installment decisions. Lease risk management, leasing as a Financing decision, advantages of leasing, and leasing decision in practice	
UNIT – V	FINANCING DECISIONS
Mergers and acquisitions basic issues, strategy , diversification and mergers and acquisitions , theories of mergers, types of mergers, cost of mergers, government guidelines for takeover, problems on mergers and acquisitions.	
TEXT BOOKS	
<ol style="list-style-type: none"> 1. Harony, J. and I. Swary, Quarterly Dividends and Earnings Announcements, Second edition, 1981 2. Altman, E.I. and Kishore, “the Default Experience of U.S. Bonds”, Working Paper, Salomon Center. 1999. 3. Jayaprakash Sugavanam, Bharathy Jayaprakash, Palanisamy Saravanan, “Strategic Financial Management” Oxford, 1st, 2014. 	
REFERENCES	
<ol style="list-style-type: none"> 1. Prasanna Chandra, Projects : planning, Analysis, Financing implementation and review, TMH, New Delhi, 2008 2. M Y Khan, “Financial Services”, Tata McGraw-Hill, 12th Edition, 2012. 	

XIII. COURSE PLAN:

The course plan is meant as a guideline. Probably there may be changes.

Lecture No.	Topics to be covered	Reference
1-2	Concepts of risk and uncertainty. Risk analysis in investment decisions.	T1
3-4	Risk adjusted rate of return, certainty equivalents. Probability distribution of cash flows,	T1
5-6	Decision trees, Sensitivity analysis and Monte Carlo approach to simulation.	T1
7-9	Investment decisions under capital constraints: capital rationing vs. portfolio. Portfolio risk and diversified projects.	T1
10-12	Types of investments and disinvestments, project abandonment decisions, evidence of internal rate of return.	T1
13-15	Multiple internal rate of return modified internal rate of return, pure, simple and mixed investments. Lorie savage paradox.	T1
16-18	Adjusted net present value and Impact of inflation on capital budgeting decisions.	T1
19-20	Discounted pay back, post pay back, surplus life and surplus payback, bail out pay back, return on investment, equivalent annual cost, and terminal value.	T1,R2
22-24	Single period constraints, multi period capital constraint and an unresolved problem.	T1
25-28	Net present value mean variance analysis, hertz simulation and hillier approaches.	T1
29-31	Significance of information and data bank in project selections.	T1
32-34	Lease financing, leasing vs. operating risk, borrowing vs. procuring.	T1

35-37	Hire purchase and installment decisions.	T1,R2
38-40	Lease risk management, leasing as a Financing decision, advantages of leasing, and leasing decision in practice.	T1
41-44	Mergers and acquisitions basic issues, strategy, diversification and mergers and acquisitions.	T1,R2
45-49	Theories of mergers, types of mergers, cost of mergers.	T2, R1
50-55	Government guidelines for takeover, problems on mergers and acquisitions.	T2

XIII. GAPS IN THE SYLLABUS - TO MEET INDUSTRY / PROFESSION REQUIREMENTS:

S. NO	DESCRIPTION	PROPOSED ACTIONS	RELEVANCE WITH POs
1	Optimum planning of integrated strategic planning for financial decisions	Seminars / NPTEL	PO 1, PO 2, PO 5
2	Think about what you see on TV, the web, read in papers and hear on the radio	Seminars / Guest Lectures / NPTEL	PO 2, PO 5, PO 9

Prepared by:

Ms.B.Tulasi Bhai, Assistant Professor, MBA

HOD, MBA