

Basics of Financial Management for Real Estate

Course Title	:	Basics of Financial Management for Real Estate
Course Code	:	
Credit Unites	:	4

L	T	P	SW	FW	Total Credits
2	1	0	2	0	4

Course Objective	:	<ul style="list-style-type: none"> • Apply Time Value of Money and Capital Budgeting in the selection of Real Estate Projects. • Understand Corporate Finance in the domestic and international context; • Develop an understanding of Risk and Return in Financial Decisions. • Understand the implications of Capital Structure and Dividend decisions.
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Pre-requisites	:	Basic understanding of Mathematics, Statistics and Economics
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Student Learning Outcomes (SLO)	:	<ul style="list-style-type: none"> • Apply the concepts of Time Value of Money in real estate financial and investment decisions.
		<ul style="list-style-type: none"> • Make decisions about project choice using Capital Budgeting and Financial feasibility measures.
		<ul style="list-style-type: none"> • Understand relationship between risk and return and principles of diversification and ways to identify and reduce risk
		<ul style="list-style-type: none"> • Understand and Design Optimum Capital Structure for the company that increases value for the shareholders.

Course Content / Syllabus:

Modules	Weightage (%)
1. Financial Management and Capital Budgeting	
<p>Introduction: Meaning and scope of financial management, role of the financial manager, Financial goals and firm objectives, Corporate governance and Financial Management of the firm.</p> <p>Time Value of Money: Time Value of Money, Inflation and their impact on financial decision making, Compounding, Types of Cash flows, Future Value, Present Value; Multiple Flows and Annuity, Growing Annuity, Perpetuity and Growing Perpetuity;</p> <p>Cost of Capital: Opportunity cost, Cost of Equity, Debt (Valuation of Bonds and Yield to Maturity) and Preference share capital, Weighted Average Cost of Capital, Project Cost of Capital.</p>	30%
2. Sources of Capital and Cost of Capital	
<p>Sources of Capital: Equity/ Preference / Debenture/ Term loans, Capital Market Efficiency.</p> <p>Techniques of Capital Budgeting: Process and techniques, Net Present Value, Profitability Index, Internal Rate of Return, Modified IRR, Accounting Rate of Return and Payback Period in real estate project appraisal.</p>	30%
3. Risk, Return and Capital Asset Pricing Model	
<p>Risk and Return Analysis: Concept of Risk and Return; Risk in a Portfolio Context, Portfolio risk and Return, Systematic and unsystematic risk.</p> <p>Capital Asset Pricing Model (CAPM): Concept of Beta, CAPM Applications, Covariance and Co-relation Coefficient, Relationship between Beta, Covariance and correlation Coefficient.</p>	20%
4. Capital Structure and Dividend Decisions	
<p>Capital Structure: Overview, Concept of Leverage, Capital structure theories: MM hypothesis, MM Proposition I & II, application of MM hypothesis in the Capital Structure Decisions and Optimal Capital Structure.</p> <p>Dividend Decisions: Relevance and Irrelevance of Dividends (Dividend Theories); Determinants of dividends policy, factors affecting dividend decisions.</p>	20%

Pedagogy for Course Delivery	:	Lectures and Tutorials
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Assessment / Examination Scheme:

Theory Lecture / Tutorial (%)	Lab / Practical / Studio (%)
100%	NIL

Theory Assessment (Lecture & Tutorial):

Continuous Assessment / Internal Assessment				End Term Examination
Components	Project / Home Assignment/ Presentation	Class Test	Attendance	50%
Weightage (%)	30%	15%	5%	

Notional Hours:

Lecture Contact	30
Tutorial Contact	15
Self-Work	30
Field Work	NIL
Assessment	NIL
Total Session	75

Text & References:

- Ross, Westerfield, Jaffe & Kakani . Corporate Finance (10th ed.). Mc-Graw Hill
- Brealey, R. R., Myers. S., Allen, F., and Mohanty, P. (2009). Principles of corporate finance (8th ed.). New Delhi: Tata Mc-Graw Hill.
- Chandra, P. (2008). Financial management (7th ed.). New Delhi: Mc-Graw Hill.
- Pandey, I. M. (2008) [IMP]. Financial management (9th ed.). New Delhi: Vikas Publishing House.
- Khan, M.Y & Jain, P.K.: Financial Management; Tata McGraw Hill, New Delhi.