Financial Management II

Assignment Guidelines:

This task evaluates advanced corporate finance principles, focusing on long-term investment decisions, cost of capital, capital structure, dividend policy, and firm valuation. Students are expected to solve real-world corporate financial problems, construct quantitative financial models, and interpret results to guide strategic decision-making and value maximisation under uncertainty.

Submission Format:

- Type: Practical Analytical Report (Financial Analysis Project)
- Font/Spacing: Times New Roman, Size 12, Double Spaced
- Word Count: 1500 – 2500 words (excluding formulas, financial tables, and computational appendices)
- Submission Deadline**:** To be announced by the respective professor

Assessment Criteria:

- Application of financial models, valuation techniques, and cost of capital concepts – 20%
- Accuracy of quantitative modelling, valuation execution, and spreadsheet usage – 25%
- Critical interpretation of financial calculation results in corporate business contexts – 20%
- Strategic financial insight, risk management, and quality of managerial recommendations – 25%
- Structure, technical reporting clarity, presentation, and APA referencing – 10%

Mandatory Sections:

- Title Page
- Table of Contents
- Executive Summary
- Introduction
- Theoretical Framework & Financial Models
- Valuation & Sensitivity Analysis
- Discussion & Managerial Implications
- Conclusion & Recommendations
- References
- Appendices (Spreadsheet Output & Valuation Models)

Assignment Task – Choose ONE of the following practical projects:

Option 1: Corporate Valuation, Cost of Capital, and Long-Term Investment Analysis

Evaluate the market value of an enterprise and assess its long-term capital allocation strategy. Your paper should:

- Calculate the WACC for the target company, considering the cost of equity using CAPM and the after-tax cost of debt.

- Develop a DCF model, as well as one based on relative valuation multiples (such as EV/EBITDA, P/E), to estimate enterprise and equity value.
- Study corporate investment in capital expenditure and test the sensitivity of the firm value to growth rates, discount rates, and operating margins.
- Deliver a spreadsheet based on management's valuation advice and capital budgeting decision process.

Option 2: Capital Structure Optimisation, Financial Leverage, and Risk Management

Investigate the trade-offs between debt and equity financing to determine an optimal capital structure for an enterprise operating under market uncertainty. Your paper should:

- Describe how financial leverage affects EPS and ROE in different economic environments.
- Discuss the major capital structure theories (e.g., MM, trade-off, pecking order), considering the costs of corporate distress and corporate tax shields.
- Investigate actual corporate restructuring situations in which significant debt load led to financial distress or in which appropriate financing allowed strategic growth.
- Advise on a capital structure optimisation path that manages financial risk, Interest Cover and WACC.

Option 3: Dividend Policy, Share Repurchases, and Corporate Liquidity Management

Analyse how corporate payout strategies and cash distribution policies impact firm value, shareholder wealth, and long-term liquidity. Your paper should:

- Compare cash dividend payouts, stock dividends, and share buyback programs in terms of signalling effects, tax implications, and market response.
- Evaluate the friction points between reinvesting retained earnings into capital projects versus returning capital to shareholders.
- Discuss empirical examples of major public companies that modified their payout policies in response to market shifts or cash flow volatility.
- Create a financial planning and liquidity management strategy that coordinates dividend distributions with long-term investment requirements.