

SEMESTER: V	
COURSE NAME: FINANCIAL MANAGEMENT	
COURSE TYPE: MAJOR	COURSE CODE: C3BMS2353
CREDIT: 5	FULL MARKS: 100

LEARNING OBJECTIVES:

1. To apply the knowledge in taking finance decisions
2. To develop analytical skills to identify financial management problems and solve them.
3. To analyse the relationship among capital structure, cost of capital, dividend decisions, and identify courses of action in financial environment that would result in maximization of wealth of an organization.
4. To assess a firm's requirement for long-term assets by applying capital budgeting techniques.

LEARNING OUTCOMES:

On successful completion of the course the learner will be able to:

1. Summarize the motives behind financial decision making.
2. Interpret the relevant theories and concepts of various practices of financial management.
3. Analyze the relationship among capital structure, cost of capital, dividend decisions, and value of the business.
4. Evaluate projects for profitability

DETAILED SYLLABUS:

Unit 1: Introduction to Financial Management (8L)

- Meaning of finance and financial management, Finance and related disciplines, Objectives and Scope of financial management– profit maximization and wealth maximization - merits and criticisms, Functions of a finance manager
- Time Value of Money [Present value, future value, and annuity (Theory with problem)]
- Concept of risk and Return

Unit 2: Financing Decision (22L)

Cost of Capital (10L)

- Concept and types of cost of capital
- Measurement of specific and overall cost of capital using book value and market value as weights
- Concept of marginal cost of capital

Leverage Analysis (2L)

- Operating Leverage, Financial Leverage and Combined Leverage

Capital Structure and its different theories (10L)

- Introduction: Concept and Determinants of capital structure
- EBIT -EPS analysis, Indifference Point
- Approaches to Capital Structure Theories - Net Income approach, Net Operating Income approach, Traditional Approach and Modigliani-Miller (MM) approach, Traditional approach

Unit 3: Investment Decision (30L)

Long-term investment decisions (15L)

- Capital Budgeting – Concept, Principles and Techniques; Process
- Estimation of relevant cash flows and terminal value;
- Evaluation of Investment Proposals using Traditional and Modern methods - Accounting Rate of Return, Payback Period, Net Present Value, Internal Rate of Return & Profitability Index Method.

Working Capital Management (15L)

- Working capital: Concept, Types, Operating Cycle, Determinants of working capital requirement
- Management of Cash - Concept of Cash Budget (Receipts and Payment Method); Cash management technique [(Baumol's Model (theory and problem) and Miller Orr Model (theory only))]
- Receivables Management – Objectives; Credit Policy, Cash Discount, Debtors Outstanding and Ageing Analysis; Costs - Collection Cost, Capital Cost, Default Cost, Delinquency Cost,
- Inventory Management (Very Briefly) - ABC Analysis; Minimum Level; Maximum Level; Reorder Level; Safety Stock; EOQ
- Management of Payables
- Determination and Estimation of Working Capital

Unit 4: Dividend Decision (5L)

- Dividend Policy: Concept and Types
- Factors affecting dividend policy,
- Various dividend policy models: Walter's model, Gordon's model, MM Hypothesis & others

SUGGESTED TEXT BOOKS/ READING MATERIALS:

- 📖 Brigham, E. F., & Houston, J. F. Fundamentals of Financial Management. Cengage Learning.
- 📖 Chandra, P. Financial Management. Tata McGraw Hill.
- 📖 Gupta, S. K., Sharma, R. K., & Gupta, N. Financial Management. Kalyani Publishers.
- 📖 Khan, M. Y., & Jain, P. K. Financial Management. Tata McGraw Hill.
- 📖 Kumar, A. Financial Management. Khanna Publishing House.
- 📖 Pandey, I. M. Financial Management. Vikas Publishing House.
- 📖 Van Horne, J. C., & Wachowicz, J. M. Fundamentals of Financial Management. Prentice Hall.

The latest editions of the textbooks listed above may be referred.