



SEMESTER: V	
COURSE NAME: FUNDAMENTALS OF FINANCIAL MANAGEMENT	
COURSE TYPE: Major (Core)	COURSE CODE: C3BC230511T
CREDIT: 4	MARKS:100
No. of Weekly Lectures: 5	
Pedagogy: Classroom lectures & Seminars	

COURSE DESCRIPTION:

The course aims to enable the learners to understand, develop, and apply the tools and techniques of Financial Management in financial decision-making with respect to business entities. It seeks to develop students' competence toward management of finance for a business.

LEARNING OBJECTIVES:

- LO 1: To acquaint students with the techniques of financial management
- LO 2: To enable the students to understand the fundamentals of financial management
- LO 3: To familiarize students with applications of financial management and decision making.

COURSE OUTCOME:

- On successful completion of the contents, students will be able to:
- CO 1: Recognise the importance of financial management from a strategic perspective
 - CO 2: Compute cost of capital and develop innovative financial strategies
 - CO 3: Analyse the capital structure decisions through relevant models
 - CO 4: Discuss the dividend policy of a firm
 - CO 5: Take both long term and short term financial decisions



Syllabus

Unit no.	Unit Name	Topics	Number of Lectures
1	Introduction to Financial Management and Time Value of Money	<ul style="list-style-type: none">• Nature, scope, Functions of Financial Management, and Objective of the firm.• Time value of money-concept, reasons, compounding and discounting technique, Valuation of Securities, Bonds and Equities (Basic Concepts and elementary illustrations).	5
2	Financing Decisions	<ul style="list-style-type: none">• Different Sources of Finance, Characteristics of different types of long-term debt and equity finance, Method of raising long-term finance.• Cost of Capital and Financing Decision: Sources of long-term financing, Estimation of components of cost of capital, Methods for Calculating the cost of equity capital, Cost of Retained Earnings, Cost of Debt and Cost of Preference Capital, Weighted Average Cost of Capital (WACC) and Marginal Cost of Capital (MCC), Relevance of MCC.• EBIT-EPS Analysis: Indifference Point, Financial break-even, trading on Equity, Limitations of EBIT- EPS analysis; Introduction to Leverage Analysis: Operating and financial leverage.• Significance of capital structure: Determinants of capital structure, Capital structure planning, and designing, Designing of optimum capital structure, Theories of Capital Structure, and value of the firm - relevancy, and Irrelevance of capital structure - Traditional Approach, Net Income, Net Operating Income, Modigliani and Miller (MM) Hypothesis, Under/Over Capitalisation.	20
3	Dividend Decisions	<ul style="list-style-type: none">• Nature of Dividend Decision, Forms of dividend, and Determinants of dividend policy.• Relevance and Irrelevance of Dividend Policies - Traditional Approach, Walter's model, Gordon's model, Modigliani, and Miller (MM) Hypothesis.• Dividend policies in practice.	10
4	Long Term Investment Decisions	<ul style="list-style-type: none">• Introduction• Techniques of Investment appraisal (with relative merits and demerits) and decision rules under different decision situations and Estimation of Net Cash Flow	20



		<p>(NCF)</p> <ul style="list-style-type: none">i. Technique based on Accounting Profit: Accounting Rate of Return (ARR).ii. Techniques based on NCF: Non-Discounting technique - Payback Period; Discounting techniques - Discounted payback period, Net Present Value (NPV), Equivalent Annual Costs.iii. Internal Rate of return (IRR) - Limitations of the IRR method, Multiple IRRs.iv. Modified internal Rate of Return (MIRR)- Definition and explanation of MIRR, Calculating MIRR, Strengths of the MIRR approach.v. Profitability Index.vi. Net Terminal Value.vii. Capital rationing.	
5	Working Capital Decisions	<ul style="list-style-type: none">· Working Capital: Meaning, Different concepts, and factors.· The management of working capital - Policies, Effect on Liquidity and Profitability.· The Working capital financing decisions - Primary and Secondary Sources of Liquidity.· The Working Capital Cycle (operating Cycle), Effectiveness of Working Capital based on its operating and cash conversion cycles.· Assessment of working capital requirement.· Management of Accounts Receivables (Debtors), Factoring, and Forfaiting.· Management of Cash, Treasury management.· Banking norms of working capital finance.· Working capital leverage.	20

Suggested Readings:

1. Khan and Jain, Financial Management: Text, problems and Cases, Mc Graw Hill
2. I.M. Pandey, Financial Management, Vikas Publishing House
3. Prasanna Chandra, Financial Management: Theory & Practice, Mc Graw Hill
4. R.P. Rustagi, Financial Management -Theory, Concepts, Problems, Taxmann



CO No.	Unit No.	Course Outcome	Key Action Verbs	Cognitive Level
CO 1	Unit 1	Recognise the importance of financial management from a strategic perspective and understand the concept of time value of money.	Describe, Interpret	Understand (K2)
CO 2	Unit 2	Compute cost of capital and develop innovative financial strategies using various sources of finance and financing decisions.	Implement, Demonstrate	Apply (K3)
CO 3	Unit 2	Analyse capital structure decisions through relevant models such as EBIT-EPS analysis, leverage, and capital structure theories.	Compare, Organize	Analyse (K4)
CO 4	Unit 3	Discuss the dividend policy of a firm using traditional and modern theories of dividend relevance and irrelevance.	Justify, Critique	Evaluate (K5)
CO 5	Units 4 & 5	Evaluate investment and working capital decisions for effective long-term and short-term financial management.	Justify, Construct, Formulate	Evaluate (K5), Create (K6)