

FUNDAMENTALS OF FINANCIAL MANAGEMENT

Duration: 3 hrs. Marks: 100 Lectures: 78

Objective: To familiarize the students with the principles and practices of financial management.

CONTENTS

Unit 1: Introduction (8 Lectures)

Nature, scope and objective of Financial Management, Time value of money, Valuation of securities – Bonds and Equities (Basic Concepts and elementary Illustrations)

Unit 2: Long Term Investment Decisions (15 Lectures)

The Capital Budgeting Process, Cash flow Estimation, Payback Period Method, Accounting Rate of Return, Net Present Value (NPV), Net Terminal Value, Internal Rate of Return (IRR), Profitability Index, Capital budgeting under Risk – Certainty Equivalent Approach and Risk Adjusted Discount Rate.

Unit 3: Financing Decisions (25 Lectures)

Cost of Capital and Financing Decision: Sources of long-term financing Estimation of components of cost of capital. Methods for Calculating 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. Capital structure – Theories of Capital Structure (Net Income, Net Operating Income, MM Hypothesis, Traditional Approach), Determinants of capital structure. Operating and financial leverage, Indifference Point Analysis, EBIT-EPS Analysis, Capital Planning.

Unit 4: Dividend Decisions (8 Lectures)

Theories for Relevance and irrelevance of dividend decision for corporate valuation; Cash and stock dividends; Dividend policies in practice.

Unit 5: Working Capital Decisions (15 Lectures)

Concepts of working capital, the risk-return trade off, sources of short-term finance, working capital estimation, receivables management (including factoring) and working capital leverage (including illustrations).

Unit 6: Risk and return concepts (7 Lectures)

Risk and Return Concept, Capital Asset Pricing Model, Security Market Line and Capital Market Line

Suggested Readings

1. James C. Van Horne and Sanjay Dhamija, Financial Management and Policy, Pearson Education
2. Levy H. and M. Sarnat .Principles of Financial Management. Pearson Education
3. Brigham and Houston, Fundamentals of Financial Management, Cengage Learning
4. Khan and Jain. Basic Financial Management, McGraw Hill Education
5. Prasanna Chandra, Fundamentals of Financial Management. McGraw Hill Education
6. Singh, J.K. Financial Management- text and Problems. Dhanpat Rai and Company, Delhi.
7. Rustagi, R.P. Fundamentals of Financial Management. Taxmann Publication Pvt. Ltd.
8. Singh, Surender and Kaur, Rajeev. Fundamentals of Financial Management. Mayur Paperback, New Delhi.
9. Pandey, I.M. Financial Management. Vikas Publications.
10. Bhabatosh Banerjee, Fundamentals of Financial Management, PHI Learning