

SEMESTER-VII

COURSE 18: FINANCIAL MANAGEMENT

Theory

Credits: 4

4 hrs/week

Course objective:

Finance Management is designed to expose the student to the financial issues of determining the monetary resources needed by a business, the mix of these resources, the sources and uses of funds, the benefits, risks and costs associated with different types of resources and financing.

Learning outcomes:

- To gain basic knowledge of financial management
- To evaluate the capital budgeting process and risk analysis in capital budgeting
- Familiarize different financial decision that help the organisation
- Learn types of dividend policies and their valuation
- Knowledge regarding working capital management, uses to organisation and valuation of working capital

Syllabus:

Unit 1: Introduction:

Nature, Scope and Objectives of Financial Management: Functions of Finance - Profit Maximization vs. Wealth Maximization – Role of Financial Manager in Modern Business Organizations – Risk - Return Trade off.

Unit 2: Investment decision:

Capital Budgeting process – Cash Flow Estimation and measurement – Investment criterion – Methods of appraisal: Traditional Techniques and Discounted Cash Flow Methods - Capital rationing – Risk analysis in capital budgeting.

Unit 3: Financing decisions:

Concept of leverage – Types of Leverages –EBIT – EPS Analysis – Capital Structure – Determinants - Theories – Net Income approach – Net operating income approach – Traditional view – MM Hypothesis. Cost of Capital: Types of Cost of Capital - Weighted average Cost of capital.

Unit 4: Dividend decisions:

Kinds of dividends, Dividend Policy types, Dividend Theories - Walter's Model - Gordon's Model - M-M Hypothesis - Retained Earnings Policies - Bonus Shares.

Unit 5: Working capital management:

Concepts of working capital – Determinants of Working capital – Optimum level of Current assets – Liquidity vs. Profitability – Risk – Return tangle – Estimating working capital needs – Financing strategies of working capital – Inventory Management – Inventory Control Techniques - Receivables Management - Cash Management.

Practical Components:

- Students should learn the role of financial manager in modern business organisation.
- All the students should learn the methods of appraisal also risk analysis in capital budgeting.
- All students should solve previous examination papers for practice.
- All students should form into groups and discuss about the different adjustments and models of problems and how to solve them.

Reference Books

1. Brearley, Richard and Myers, Steward: Principles of Corporate Finance, New York, McGraw Hill.
2. Soloman, Ezra, Theory of Financial Management, Columbia Press.
3. James C. Van Horne, Financial Management and Policy, Prentice Hall of India.
4. Weston J. Fred and Brigham, Eugene F., Managerial Finance, Dryden Press.
5. Prasanna Chandra, Financial Management, Tata McGraw Hill.
6. Khan, M.Y. and Jain, Financial Management, Tata McGraw Hill.
7. Pandey, IM, Financial Management, Delhi, Vikas Publishing House.
8. Ravi M. Kishore: Financial Management, Taxman.
9. Sudhirbhat, Financial Management, Excel Books.