

Course Title: Financial Management

Course Code	: 17BA2T1	External Marks	: 60
Core / Elective	: Core	Internal Marks	: 40
Credits	: 3	Contact Periods	: 3
Year/Semester	: I year/II semester	Tutorial Periods	: 2

Course Objectives

The objectives of this course are to enable the students:

1. To understand the competencies, responsibilities, and tasks performed by financial managers in business organizations.
2. To help future managers in understanding the finances of an organisation and their interface with finance.
3. To explain financial tools and techniques, to help firms maximize value by improving decisions relating to capital budgeting, capital structure, and working capital management.

Course Outcomes

By the end of this course the students will be able to:

1. Explain a foundation of financial management concepts and tools for achieving the business objectives.
2. Relate how organisations make important investment and financing decisions, and working capital needs with the practical situations.
3. Summarise various dividend theories and their impact on effective decision-making.
4. Examine the short term capital problems of firms and evaluate effective ways of optimizing solutions.
5. Analyse the cash problems effecting organisations to deal with more complex financial bottlenecks that arise from them.

Unit 1-Finance Function: An overview of Finance functions - Profit vs wealth maximization - Investment decisions: Nature of capital budgeting decisions - Techniques of capital budgeting- Pay back method, Average rate of return and Time adjusted methods- IRR and NPV-profitability index- Capital budgeting and Risk analysis.

Unit 2-Cost of Capital and Capital Structure: Concept and measurement of Cost of capital- Debt vs equity- Cost of equity- Preference shares- Retained earnings- Weighted average cost of capital and marginal cost of capital; Capital structure Planning: Determinants of capital structure- Capital structure theories- Operating and financial leverage.

Unit 3-Dividend Decisions: Dividends and value of the firm - Relevance of dividend decision, MM hypothesis, Walter and Gordon models - Factors determining dividend policy- Dividend policies - Declaration and payment of dividends- Bonus shares-Rights issue- Share splits.

Unit 4-Working Capital Management: Components of working capital- Gross vs. net working capital- Determinants of size of working capital - The operating cycle approach; planning of working capital- Financing of working capital through Bank finance and trade credit.

Unit 5-Management of Current Assets: Management of cash– Basic strategies for cash management, cash budget, cash management techniques/processes; Marketable securities: characteristics, selection criterion, Marketable security alternatives; Management of receivables - Management of inventory – Credit policies.

Case Study: Compulsory. Relevant cases have to be discussed in each unit.

Reference Books

1. Khan M. Y., Jain P.K., “Financial Management - Text & Problems”. Tata McGraw-Hill.
2. Pandey I.M., “Financial Management”, Vikas Publishing House Pvt. Ltd., New Delhi.
3. Arthur Keown, John H. Martin, William Petty & David Scott Jr., “Financial Management: Principles and Applications”, Prentice Hall of India, New Delhi.
4. *Richard A. Brealey, Stewart C. Myers*, “Principles of Corporate Finance”, McGraw Hill, New Delhi.
5. Chandra Bose D., Fundamentals of Financial Management, Prentice Hall of India, New Delhi
6. Hampton J. John, “Financial Decision Making: Concepts, Problems and Cases”, Prentice Hall of India, New Delhi.
7. William R. Lasher, Financial Management” Cengage Learning, New Delhi, 2011.
8. James C. Van Horne & John M. Wachowicz Jr., “Fundamentals of Financial Management”, Prentice Hall of India, New Delhi.
9. Weston, J.F. and Brigham, E.F., “Essentials of Managerial Finance”, Pearson Education, New Delhi.
10. Winger, Bernard and Mohan, Nancy, “Principles of Financial Management”, Macmillan, Publishing Company, New York.