

FINANCIAL MANAGEMENT

Subject Code	: 14MBA22	IA Marks	: 50
No. of Lecture Hours / Week	: 04	Exam Hours	: 03
Total Number of Lecture Hours	: 56	Exam Marks	: 100
Practical Component	: 01 Hour / Week		

Objectives:

1. To explain the basic functions and responsibilities of a financial department in a business/ firm;
2. To elaborate the key decision areas in financial management-investment, financing, dividend and working capital management
3. To explain the various techniques of evaluation of investment proposals
4. To discuss the various factors to be considered in designing the target capital structure.

Module 1: (10 Hours)

Financial management – Introduction to financial management, objectives of financial management – profit maximization and wealth maximization. Changing role of finance managers. Interface of Financial Management with other functional areas.

Indian financial system – Primary market, Secondary market – stocks & commodities market, Money market, Forex markets. (Theory Only)

Sources of Financing: Shares, Debentures, Term loans, Lease financing, Hybrid financing, Venture Capital, Angel investing and private equity, Warrants and convertibles (Theory Only)

Module 2: (10 Hours)

Time value of money –Future value of single cash flow & annuity, present value of single cash flow, annuity & perpetuity. Simple interest & Compound interest, Capital recovery & loan amortization.

Module 3: (8 Hours)

Cost of Capital Cost of capital – basic concepts. Cost of debenture capital, cost of preferential capital, cost of term loans, cost of equity capital (Dividend discounting and CAPM model). Cost of retained earnings. Determination of Weighted average cost of capital (WACC) and Marginal cost of capital.

Module 4: (10 Hours)

Investment decisions -- Investment evaluation techniques – Net present value, Internal rate of return, Modified internal rate of return, Profitability index, Payback period, discounted payback period, accounting rate of return. Estimation of cash flow for new project, replacement projects.

Module 5: (6 Hours)

Working capital management – factors influencing working capital requirements. Current asset policy and current asset finance policy. Determination of operating cycle and cash cycle. Estimation of working capital requirements of a firm (Does not include Cash, Inventory & Receivables Management)

Module 6:**(8 Hours)**

Capital structure and dividend decisions – Planning the capital structure. (No capital structure theories to be covered) Leverages – Determination of operating leverage, financial leverage and total leverage. Dividend policy – Factors affecting the dividend policy - dividend policies- stable dividend, stable payout. (No dividend theories to be covered).

Module 7:**(4 Hours)**

Emerging Issues in Financial management: Derivatives, Mergers and Acquisitions, Behavioural Finance, Financial Modelling, Financial engineering, risk management. (Theory Only).

RECOMMENDED BOOKS:

1. Prasanna Chandra ,Financial Management -, 8/e, TMH, 2011.
2. R K Sharma and Shashi K Gupta, Financial Management, Kalyani Publications -2012
3. Khan M. Y.& Jain P. K Financial Management, 6/e, TMH, 2011.
4. Rajiv Srivastava and Anil Misra, Financial Management, Second edition, Oxford University Press,2011
5. Vanhorne, James C, Financial Management & Policy-., 12/e, Pearson, 2002

REFERENCE BOOKS:

1. I M Pandey, Financial Management , Vikas Publications -2013
2. Brigham & Houston, Fundamentals of Financial Management, 10/e, Cengage Learning.
3. Damodaran, Corporate Finance, , 2/e, Wiley India (P) Ltd., 2004
4. Paresh P., Shah Financial Management, 2/e, Biztantra.
5. Sheeba Kapil, Fundamentals of Financial Management,Pearson,2013