

ADVANCED FINANCIAL MANAGEMENT

Subject Code	: 14MBA FM304	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 :

- - To understand the management of working capital and short term financing.
- To understand the techniques of cash, inventory and receivables management
- To comprehend the capital structure and dividend policy of the firm
- To enable the student to appreciate the role of financial management in an organisation.
- - To develop planning skill and monitoring skill in financial management functions effectively, so that the students be able to apply the appropriate management strategy to face the company challenges.

Module I

(8 Hours)

Working capital management – Determination of level of current assets. Sources for financing working capital. Bank finance for working capital. (No problems on estimation of working capital). Working capital financing: Short term financing of working capital, long term financing of working capital. Working capital leverage.

Module II

(6 Hours)

Cash Management – Forecasting cash flows – Cash budgets, long-term cash forecasting, monitoring collections and receivables, optimal cash balances – Baumol model, Miller-Orr model, Strategies for managing surplus fund.

Module III

(7 Hours)

Receivables Management – Credit management through credit policy variables, marginal analysis, Credit evaluation: Numerical credit scoring and Discriminate analysis. Control of accounts receivables, Problems on credit granting decision.

Module IV

(7 Hours)

Inventory Management: Determinations of inventory control levels :

ordering, reordering, danger level. EOQ model. Pricing of raw material. Monitoring and control of inventories, ABC Analysis.

Module V

(10 Hours)

Capital structure decisions – capital structure & market value of a firm. Theories of capital structure – NI approach, NOI approach, Modigliani Miller approach, traditional approach. Arbitrage process in capital structure. Planning the capital structure: EBIT and EPS analysis. ROI & ROE analysis. Capital structure policy

Module VI

(8 Hours)

Dividend policy – Theories of dividend policy : relevance and irrelevance dividend decision. Walter's & Gordon's model, Modigliani & Miller approach. Dividend policies – stable dividend, stable payout and growth. Bonus shares and stock split corporate dividend behaviour. Legal and procedural aspects of dividends Corporate Dividend Tax.

Module VII

(10 Hours)

Special issues in financial management

Corporate financial modelling Agency problem and consideration. Effect of inflation on Asset value, firm value, returns Financial planning – Basis of financial planning, sales forecast method, pro-forma P & L account method, pro-forma balance sheet method, determination of External Financing Requirement (EFR).

Practical Components:

- Study the working capital financing provided by a Bank and submit the report on the same
- Study the annual report of any two companies and prepare a cash budget for next year.

RECOMMENDED BOOKS:

- Financial Management - Prasanna Chandra, 8/e, TMH, 2011.
- Financial Management - M.Y. Khan & P.K. Jain, 6/e, TMH, 2011.
- Financial Management - I.M. Pandey, 10/e, Vikas, 2011.

REFERENCE BOOKS:

- Financial Management: Theory & Practice - Brigham & Ehrhardt, 10/e, Cenage Learning, 2004.
- Corporate Finance: Ross, Westerfield & Jaffe, TMH – 8/e, 2010

- Financial Management & Policy - Vanhorne, 12/e, Pearson
- Principle of Corporate Finance- Brearly and Myers, 10/e, TMH, 2012.
- Corporate Finance: Theory & Practice – Ashwath Damodaran, 2/e, Wiley India Pvt. Ltd., 2009.
- Cases in Financial Management - Pandey & Bhatt, 2/e, TMH, 2012.
- Financial Management: Comprehensive Text Book with Case Studies – Ravi M. Kishore, 7/e, Taxmann.

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