

## FINANCIAL MANAGEMENT

Subject Code	: 16MBA22	IA Marks	: 20
No. of Lecture Hours / Week	: 03	Exam Hours	: 03
Total Number of Lecture Hours	: 56	Exam Marks	: 80
Practical Component	: 02 Hours / Week		

### Course Objectives:

- To familiarize the students with basic concepts of financial management.
- To understand time value of money and cost of capital.
- To analyze capital structure, capital budgeting and dividend decision.
- To understand the short term and long term financing and working capital management.

### Course Outcome:

At the end of the course students will be able to:

- Understand the basic financial concepts
- Apply time value of money
- Evaluate the investment decisions
- Analyze the capital structure and dividend decisions.
- Estimate working capital requirements.

### Unit 1:

(8 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.

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

**Emerging Issues:** Risk management, Behavioral finance and Financial engineering.

### Unit 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.

### Unit 3:

(10 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.

### Unit 4:

(12 Hours)

**Investment decisions** – Capital budgeting process, 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.

**Unit 5: (8Hours)**

**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)

**Unit 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)

**Practical Components:**

- Identifying the small or medium sized companies and understanding the Investment evaluation techniques used by them.
- Using the annual reports of selected companies, students can study the working capital management employed by them. Students can also compare the working capital management of companies in the same sector.
- Students can choose the companies that have gone for stock split and Bonus issue in the last few years and study the impact of the same on the stock price.

**RECOMMENDED BOOKS:**

- Financial Management -Prasanna Chandra, 8/e, TMH, 2011.
- Financial Management,Shashi K Gupta and R K Sharma, 8<sup>th</sup> Revised Edition, Kalyani Publishers, -2014
- Financial Management,Khan M. Y.& Jain P. K, 6/e, TMH, 2011.
- Financial Management,Rajiv Srivastava and Anil Misra, Second edition, Oxford University Press,2011
- Financial Management ,I M Pandey, 10<sup>th</sup> Edition, Vikas Publishing House -2014
- Financial Management & Policy-Vanhorne, James C., 12/e, Pearson, 2002
- Financial Management, PralhadRathod, Babitha&S.HarishBabu, Himalaya Publishing House, 2015

**REFERENCE BOOKS:**

- Financial Management,V K Bhalla ,1<sup>st</sup> Edition- S.Chand 2014,
- Fundamentals of Financial Management,Brigham & Houston, 10/e, Cengage Learning.
- Corporate Finance,Damodaran , 2/e, Wiley India (P) Ltd., 2004
- Financial Management,Paresh P., Shah 2/e, Biztantra.
- Fundamentals of Financial Management,Sheeba Kapil ,Pearson,2013
- Financial Management, Sumit Gulati & Y P Singh,McGraw Hill, New Delhi - 2013