

## FINANCIAL MANAGEMENT

Semester	II	CIE Marks	: 40
Course Code	18MBA22	SEE Marks	: 60
Teaching Hours / week (L:T:P)	4-0-0	Exam Hours	: 03
Credits : 04			

### Course Objectives:

1. To familiarize the students with basic concepts of financial management and financial system.
2. To understand concept of time value of money and its uses.
3. To evaluate the investment proposals.
4. To analyze capital structure and dividend decision.
5. To understand the management of working capital in an organization.

### Unit 1:

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

Emerging Issues in financial management: Risk management, Behavioral finance and financial engineering.

Introduction to Financial System. Financial markets, Financial Instruments, Financial institutions and financial services. Introduction to derivatives.

### Unit 2:

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. (Theory & Problem).

Case Study on Loan amortization.

### Unit 3:

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

**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. (Theory & Problem).

Case Study on WACC.

### Unit 4:

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 (Theory & Problem). Capital rationing; Risk analysis in capital budgeting (Theory only).  
Case Study on replacement of capital project.

#### Unit 5:

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).

Case study on Working Capital Determination.

#### Unit 6:

Capital structure and dividend decisions – Planning the capital structure. (No capital structure theories to be covered) Leverages, EBIT and EPS analysis. ROI & ROE analysis. Capital structure policy. Dividend policy – Factors affecting the dividend policy - Dividend Policies- Stable Dividend, Stable Payout (No dividend theories to be covered).  
Case Study on EBIT-EPS analysis & Leverages.

#### PRACTICAL COMPONENTS:

- Study the different financial services offered by a bank.
- 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.

#### COURSE OUTCOME:

1. Understand the basic financial concepts.
2. Apply time value of money.
3. Evaluate the investment decisions.
4. Analyze the capital structure and dividend decisions.
5. Estimate working capital requirements.

#### RECOMMENDED BOOKS:

- Financial Management -Prasanna Chandra, 9/e, TMH.
- Financial Management, Khan M. Y. & Jain P. K, 7/e, TMH.

- Financial Management ,I. M Pandey, 11th Edition, Vikas Publishing House.

#### REFERENCE BOOKS:

- Principles of corporate finance, Brealey and Myers, 9/e, TMH.
- Financial Management, Rathod, Babitha Thimmaiah, Harish Babu, HPH.
- Fundamentals of Financial Management, Brigham & Houston, 10/e, Cengage Learning.

#### CO-PO MAPPING

C0	PO				
	PO1	PO2	PO3	PO4	PO5
CO1	X				
CO2		X			
CO3			X		
CO4			X	X	
CO5			X		

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