

ADVANCED FINANCIAL MANAGEMENT

Semester	III	CIE Marks	: 40
Course Code	18MBAFM304	SEE Marks	: 60
Teaching Hours / week (L:T:P)	3-0-2	Exam Hours	: 03
Credits : 04			

Course Objectives:

1. To understand the concept capital structure and capital structure theories.
2. To assess the dividend policy of the firm.
3. To be aware of the management of working capital and its financing.
4. To understand the techniques of managing different components of working capital.

Unit 1:

Capital structure decisions – capital structure & market value of a firm. Theories of capital structure – NI approach, NOI approach, Modigliani Miller approach, Traditional approach. Planning the capital structure: EBIT and EPS analysis. ROI & ROE analysis. (Theory and Problems).

Unit 2:

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 behavior. (Theory and Problems).

Unit 3:

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. (Theory).

Unit 4:

Inventory Management: Determinations of inventory control levels : ordering, reordering, danger level. EOQ model. Pricing of raw material. Monitoring and control of inventories, ABC Analysis. (Theory and Problems)

Unit 5:

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. (Theory and Problems)

Unit 6:

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. (Theory and Problems)

Question Paper: 40% theory and 60% problems

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.
- Study dividend policy of companies and its impact on shareholders' wealth.
- Study implications of bonus issues/stock splits of companies.

COURSE OUTCOMES:

At the end of the course, the students are able to:

1. Get an overview of capital structure theories.
2. Understand and assess the dividend policy of the firm.
3. Realize the importance of management of working capital in an organization.
4. Be aware of the techniques of cash, inventory and receivables management

RECOMMENDED BOOKS:

- Financial Management - M.Y. Khan & P.K. Jain, 6/e, TMH, 2011
- Financial Management - Prasanna Chandra, 8/e, TMH, 2011.
- Financial Management: Comprehensive Text Book with Case Studies – Ravi M. Kishore, 7/e, Taxmann.

REFERENCE BOOKS:

- Financial Management: Theory & Practice - Brigham & Ehrhardt, 10/e, Cengage Learning, 2004.
- Corporate Finance: Ross, Westerfield & Jaffe, – TMH – 8/e, 2010
- Financial Management & Policy - Vanhorne, 12/e, Pearson

CO-PO MAPPING

CO	PO				
	PO1	PO2	PO3	PO4	PO5
CO1	X				
CO2				X	
CO3	X				
CO4	X				