
FINANCIAL MANAGEMENT**Unit 1.1: Nature of Financial Management****(2L+6L+2L=10L)**

- Finance and related disciplines; Scope of Financial Management; Profit Maximization, Wealth Maximization - Traditional and Modern Approach; Functions of finance – Finance Decision, Investment Decision, Dividend Decision; Objectives of Financial Management; Organisation of finance function.

Unit 1.2: Time Value of Money Risk & Return

- Present value, future value, and annuity (Theory with problem)

Unit 1.3: Risk & Return

- Historical return, expected return, absolute return, holding period return, annualized return, arithmetic & geometric return; Risk - Systematic & unsystematic risk – their sources and measures

Unit 2: Long -term investment decisions**(20L)**

- Capital Budgeting - Principles and Techniques; Nature and meaning of capital budgeting; Estimation of relevant cash flows and terminal value; Evaluation techniques - Accounting Rate of Return, Net Present Value, Internal Rate of Return & MIRR, Net Terminal Value, Profitability Index Method. Capital Rationing (Theory & problems). Capital budgeting under risk & Uncertainty – Types & sources of risk, conventional techniques (payback period, risk adjusted discount rate, sensitivity analysis, certainty equivalent). Statistical techniques – Concept of probability, abandonment value, decision trees.

Unit 3.1: Concept and Measurement of Cost of Capital**(10L+2L+9L+4L=25L)**

- Explicit and Implicit costs; Measurement of cost of capital; Cost of debt; Cost of perpetual debt; Cost of Equity Share; Cost of Preference Share; Cost of Retained Earning; Computation of over-all cost of capital based on Historical and Market weights. Concept of marginal cost of capital.

Unit 3.2: Leverage Analysis

- Operating and Financial Leverage; Combined leverage

Unit 3.3: Theories of Capital Structures

- Introduction: Concept and Determinants of capital structure, EBIT -EPS analysis, Approaches to Capital Structure Theories - Net Income approach, Net Operating Income approach, Modigliani-Miller (MM) approach, Traditional approach

Unit 3.4: Dividend Policy Decision

- Concept of dividend, types of dividends, factors affecting dividend policy,
- Various dividend policy models: Relevance of dividend- Walter's model, Gordon's model, Irrelevance of dividend: MM Hypothesis

Unit 4: Working Capital Management**(15L)**

- Management of Cash - Preparation of Cash Budgets (Receipts and Payment Method only); Cash management technique [(Baumol's Model (theory and problem) and Miller Orr Model (theory only)]
- Receivables Management – Objectives; Credit Policy, Cash Discount, Debtors Outstanding and Ageing Analysis; Costs - Collection Cost, Capital Cost, Default Cost, Delinquency Cost,
- Inventory Management (Very Briefly) - ABC Analysis; Minimum Level; Maximum Level; Reorder Level; Safety Stock; EOQ, Determination of Working Capital

References:

1. Fundamentals of Financial Management, Bhabatosh Banerjee, PHI
2. Financial Policy and Management Accounting, Bhabatosh Banerjee, PHI
3. I.M. Pandey: Financial Management: Theory and Practices, Vikas Publishing House
4. M.Y. Khan & P.K. Jain: Financial Management Text Problem and Cases, Tata McGraw Hill Pubilshng Co. Ltd.
5. R. P. Rustogi: Financial Management: Theory Concepts and Practices, Taxmann Publication.
6. R.A. Brealey, S.C. Myers, F. Allen& P. Mohanty: Principles of Corporate Finance, McGraw Hill Higher Education
7. J.V. Horne & J.M. Wachowicz: Fundamentals of Financial Management Prentice Hall
8. Mazumdar, Ali, Nesha, An Introduction to Financial Management, ABS Publishing House