

FINANCIAL MANAGEMENT

Course Code: 15HM1108

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Course Outcomes:

At the end of the course the student will be able to

CO1: List out the differences between profit maximization, wealth maximization and describe the finance functions and compute the time value of money.

CO2: Outline the various techniques of appraising capital budgeting decisions.

CO 3: Compute cost of capital by using various methods.

CO 4: Design capital structure and identify different dividend policies.

CO 5: Identify various components of working capital and estimate working capital required for a business concern.

UNIT – I: Finance Function

(8 lectures)

Objective - Profit or Wealth Maximization and EPS Maximization, An overview of Managerial Finance functions - Time value of money, present value, future value of money and the basic valuation models.

UNIT – II: Investment Decisions

(10 lectures)

Nature of Capital Budgeting decisions - techniques of capital budgeting: Pay back method, Average rate of return and Time-Adjusted methods: IRR and NPV, profitability index, and excess present value index. Advanced problems and cases in capital budgeting.

UNIT – III: Cost of Capital and Capital Structure

(12 lectures)

Concept and measurement of cost of capital, Debt vs. Equity, cost of equity, preference shares, equity capital and retained earnings –Weighted average cost of capital and marginal cost of capital - Capital structure vs. financial structure –Capitalization - Financial leverage, operating leverage and composite leverage.

UNIT – IV: Capital Structure Theories and Dividend Decisions

(10 lectures)

EBIT-EPS Analysis, Capital structure theories - Dividends and value of the firm - Relevance of dividends, the MM hypothesis, Factors determining Dividend Policy-dividends and valuation of the firm-the basic models - Declaration and payment of dividends - Bonus shares - Rights issue - Share-splits, Walter Model and Gordon Model.

UNIT – V: Working Capital Management

(8 lectures)

Definition of working capital - types of working capital, and determinants of working capital needs, the operating cycle approach - Estimation of working capital requirements - Receivables Management – Cash Management – Inventory Management.

Text Books

S.No	Author	Title	Edition	Publisher	Year
1	I.M Pandey	Financial Management	9 th	Vikas Publishers	2004
2	M.Y Khan & P K Jain	Financial Management-Text and Problems	10 th	Tata McGraw Hill	2006
3	S.N. Maheswari	Financial Management	4 th	Vikas Publishers	2009
4	Srivatsav, RM	Financial Management	3 rd	Himalaya Publishers	2010

Reference Books

S.No	Author	Title	Edition	Publisher	Year
1	Bhabatosh Banerjee	Fundamentals of Financial management	4 th	PHI	2008
2	CA.C. Rama Gopal	Financial Management	2 nd	New Age International	2008
3	Pradeep Kumar Sinha	Financial Management Tools and Techniques	2 nd	Excel books	2010
4	Brigham and Ehrdhart	Financial Management Text and Cases	4 th	Cengage Learning	2010
5	Karen Berman & Joe Knight	Financial Intelligence: A Manager's Guide to Knowing What the Numbers Really Mean	1 st	Harvard Business Review Press	2006