

CORE COURSE IV – FINANCIAL MANAGEMENT

Credit Allotted: 5

Max. Marks: 75

Objective : To enable the students understand concepts and application of financial management tools.

UNIT I

Financial Management : Meaning, nature and scope of finance; Financial goal – Profit Vs Wealth Maximisation; Finance functions – investment, financing and dividend decisions.

UNIT II

Fundamental valuation concepts :- Time value of money – Compound value, Present value; Risk and Return – concept, Risk in a portfolio context, Relationship between Risk and Return.

Valuation of Securities – Valuation concept – Bond Valuation – Valuation of Preference shares, Equity valuation – Dividend valuation approach, Earnings capitalisation approach and Ratio approach.

UNIT III

Cost of capital : Meaning and Significance of cost of capital; calculation of cost of debt, preference capital, equity capital and retained earnings; combined cost of capital (weighted).

Financial Leverage : Meaning, Measurement of leverages; Effect of Operating and Financial Leverage on Profit; Analysing alternate financial plans; combined financial and operating leverages.

UNIT IV

Management of working capital:- Meaning, Significance and Types of working capital; calculating operating cycle period and estimation of working capital requirements; sources of working capital; Management of cash, receivables and inventory.

UNIT V

Planning the Capital Structure – Factors influencing capital structure; EBIT-EPS Analysis, ROI-ROE Analysis, Cash flow analysis, capital structure policies in practice (excluding theories of capital structure).

Dividend policy – Practical aspects – Factors determining dividend pay-out, Forms of dividend; stability in dividend policy; corporate dividend behaviour.

(Note: Theory 30 Marks; Problems 45 Marks)

BOOKS FOR REFERENCE :

| | |
|----------------------|-----------------------------------|
| Financial Management | - I.M.Pandey |
| Financial Management | - Prasanna Chandra |
| Financial Management | - Khan M.Y.Jain P.K. |
| Financial Management | - S.N.Maheswari |
| Financial Management | - R. Ramachandran & R. Srinivasan |