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| CC 403 | Financial Management | 3L:1T:0P | 4 Credits |
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Course Description:

Financial Management is offered with intent to equip the students with the basic knowledge of finance theory and its application to develop relevant financial strategies pertinent to profit-seeking organizations. The theme of financial management is structured around three decision making financial areas: Investment- long and short term, Financing and Dividend policy. This imbibes students with analytical and decision-making skills in managing finance through application of theoretical questions and practical problems.

Course Objectives:

1. To apply the knowledge in taking finance decisions
2. To develop analytical skills to identify financial management problems and solve them.
3. To analyse the relationship among capital structure, cost of capital, dividend decisions, and value of the business.
4. To assess a firm's requirement for long-term assets by applying capital budgeting techniques.

Course Content:

Unit I: Introduction to Financial Management

Meaning of finance and financial management, Types of finance, Objective and Scope of financial management- profit maximization and wealth maximization - merits and criticisms- Financial decisions, Internal relation of financial decisions, Factors influencing financial decisions, Functional areas of financial management, Functions of a finance manager, Agency Cost, Definition of ethics and the importance of ethics in

Finance, Sources of Finance: Ownership securities – Equity shares, Preference shares, Deferred shares, No par stock/shares, Shares with differential rights, Sweat Equity
Creditorship securities – Debentures – Zero coupon bonds, Zero interest bonds, Callable bonds, Deep discount bonds Internal financing or ploughing back of profit – short term and long term sources. Startup finance-Bootstrapping, Series Funding.

Unit II: Capital Structure & Capitalization

Meaning of capitalization – Theories of capitalization – cost theory and earnings theory. Over capitalization and under capitalization (Theory) – causes – effects and remedies, Watered stock, Over trading and under trading. Meaning of capital structure and financial structure, principles of capital structure, Optimum Capital Structure, Determinants of capital structure, capital gearing-Theories of Capital structure, Effect of capital structure on EPS, EBIT-EPS Analysis, Point of indifference-Practical Problems

Unit III: Cost of Capital, Leverages and Managing Working Capital

Meaning of cost of capital, significance of cost of capital, components of cost of capital – Computation of Cost of capital and Weighted Average Cost of Capital, CAPM-Practical Problems. Meaning of Leverage, Types of Leverages – operating, financial and combined leverage, risk and leverage – practical problems.

Managing working Capital - Meaning of working capital, types of working capital, working capital cycle, adequate working capital, determinants of working capital, estimation of working capital-Practice problems. Management of cash. Management of inventory and debtors.

Unit IV: Capital Budgeting and Dividend policy

Meaning of Capital Budgeting, Importance, Need, Time value of money-Present and Future Value (Simple Problems), Capital budgeting process, project appraisal by using traditional methods and modern methods, Practical problems on Payback Period, Net Present Value, Profitability Index, IRR and MIRR methods, Dividend policy-Meaning, Kinds, Theories of dividend decisions, determinants of dividend policy decisions, Companies Act, 2013 and SEBI Guidelines on Dividend Distribution.

Readings:

Textbooks (Latest Editions):

1. Khan, M, Y, & Jain, P, K . Financial Management. Tata Mc Graw Hill.
2. Chandra, P. Financial Management. New Delhi, India. Tata McGraw Hill Book Co.
3. Pandey,I.M. Financial Management. New Delhi, India. Vikas Publishing House.
4. Kumar, A. Financial Management, Khanna Publishing House.
5. Gupta, S, K., Sharma, R.K. & Gupta, N . Financial Management. Kalyani Publishers.
6. Khan, M, Y, & Jain, P, K . Financial Management. Tata Mc Graw Hill.
7. Brigham and Houston. Fundamentals of Financial Management, Cengage Learning.

Course Outcomes:

On having completed this course, student should be able to:

1. Summarize the motives behind financial decision making.
2. Interpret the relevant theories and concepts of various practices of financial management and ethics in Finance.
3. Analyze the relationship among capital structure, cost of capital, dividend decisions, and value of the business.
4. Evaluate projects for profitability
