

**Paper 1.3: Financial Management**

The objective of this course is to help students understand the concepts and techniques of Financial Management.

- Unit 1: Financial Management: Meaning, nature and scope of finance; Financial goal – Profit vs. Wealth maximisation, Finance functions-investment, financing dividend decisions.
- Unit 2: Capital Budgeting: Nature of investment decisions; investment evaluation criteria- time value of money concepts, net present value, internal rate of return, profitability index, payback period, accounting rate of return; NPV and IRR comparison; Capital rationing; Risk analysis in capital budgeting.
- Unit 3: 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); Cost of equity and CAPM.
- Unit 4: Operating and Financial Leverage: Measurement of leverages; effects of operating and financial leverage on profit; Analysing alternate financial plans; combined financial and operating leverage.
- Unit 5: Capital Structure Theories: Assumptions-Net Income approach-Net operating Income approach-optimal capital structure-Modigliani-Miller approach(MM)-Basic propositions-Assumptions-limitations- Traditional approach-Pecking order theory-Trade off theory.
- Unit 6: Dividend Policies: issues in dividend decisions, Walter's model, Gordon's model, M.M hypothesis, dividend and uncertainty, relevance of dividend; Dividend policy in practice; forms of dividends; stability in dividend policy; corporate dividend behaviour.
- Unit 7: Management of Working Capital: Meaning, significance and types of working capital; calculating operating cycle period and estimation of working capital requirements; financing of working capital and norms of bank finance; sources of working capital; factoring services; various committee reports on bank finance; dimensions of working capital management.

Unit 8: Management of cash, receivables and inventory, supply chain finance, (EVA) concepts. Economic value added concepts, MVA. Risk-return relationship

#### References:

- Bhattacharya, Hrishikas: Working Capital Management: Strategies and Techniques, Prentice Hall, New Delhi
- Brealey, Richard A and Steward C. Myers: Corporate Finance, McGraw Hill, Int.Ed., New York
- Chandra, Prasanna: Financial Management, Tata McGraw Hill, Delhi
- Hampton, John: Financial Decision Making, Prentice Hall, Delhi
- Pandey, I.M: Financial Management, Vikas Publishing House, Delhi
- Van Horne, T.C and J.M Wachowicz Jr: Fundamentals of Financial Management, Prentice Hall, Delhi
- Van Horne, James C: Financial Management and Policy, Prentice Hall, Delhi
- Pinches, George E: Essentials of Financial Management; harper and Row, New York
- Khan MY, Jain PK: Financial Management; Tata McGraw Hill, New Delhi
- Archer, Stephen H, Choate G Mare, Racette, George, Financial Management; John Wiley, New York
- Block, Stanley B, Geoffrey A Hilt: Foundations of Financial Management; Richard D. Irwin, Homewood, Illinois.
- Kishore P, Financial Management, Taxmans Publishing House, New Delhi