

# FINANCIAL MANAGEMENT

## Course Outline

**Course Objectives:**

The field of finance is broad and dynamic. It directly affects the lives of every person, every organization (private, public, governmental and non-governmental, business and not-for-profit). This subject is the core course for all the business education degrees such as MS, MBA, MBE, M.com, MSc.(Accounting & Finance), MSc(e-commerce) CA, ICMA, ACCA, BS(commerce, Accounting, finance, business administration etc.), B.Com. and a host of professional degrees/certificate courses in the field.

Financial management is concerned with the duties of the financial manager in the business firm where he manages the financial affairs of the business. The tasks performed by a financial manager include planning, extending credit to customers, evaluating proposed large expenditures, and raising money to fund the firm's operations. In recent years, the changing economic and regulatory environments have increased the importance and thus complexity of the financial management. It was need of the time to revise/update the course contents of the subject so as to serve the following objectives:

- To acquaint the students about Pros and cons of Financial planning and analysis
- To inculcate the ways and means how to manage the operating financial activities of an organization efficiently and in the most cost effective manner.
- To equip the students with the tools and techniques for appraising various investment proposals.
- To give a fair enough knowledge in respect of assessing risk in the investment undertakings and ways to mitigate the risks up to the maximum level.
- To find the best possible financing mix to finance the proposed investments.
- To explore ways other than bank loans for financing capital investments.

<b>Topic 1</b>	<p><b>An overview of Financial Management</b></p> <p><i>Types of Finance</i></p> <p>Finance within the organization Forms of business organization Types of business organizations Financial management functions Managerial goals of the firm Corporate and personal tax Financial environment and the ir role in the firm</p>	<b>Book 3</b>
<b>Topic 2</b>	<p><b>Financial Planning and Analysis</b></p> <p><i>Financial Statement Analysis</i></p> <p>Income statement Balance sheet Cash flow statement Ratio analysis Forecasting Financial Statements</p>	<b>Book 1</b>
<i>Topic 3</i>	<p><b>Valuation</b></p> <p><i>The Time Value of Money and its Application</i></p> <p>Term structure of interest rates Nominal and Effective Interest rate Amortization of loan</p> <p><i>The Valuation of long-term Securities</i></p> <p>Different valuation concepts Bond Valuation Preferred stock valuation Common stock valuation</p>	<b>Book 1</b>

	Rates of Return (or Yields)	
<b>Topic 4</b>	<b>Working Capital Management</b> <i>Working Capital terminologies and issues</i> Operating cycle Cash conversion cycle Alternative current assets <b>Cash and Marketable Securities Management</b> Motives for holding cash Speeding up cash receipts Slowing Down Cash payouts Electronic Commerce Investment in marketable securities	<b>Book 2</b>
Topic 5	<b>Accounts Receivable and Inventory Management</b> Credit evaluation criteria Five C's of credit Credit policies Collection polices Aging of account receivable <b>Financing in current assets</b> Spontaneous financing Negotiated financing Factoring accounts receivable	<b>Book2</b>
<b>Topic 6</b>	<b>Capital Budgeting and Estimated Cash Flow</b> Overview of capital budgeting process Estimating project "After-Tax incremental operating cash flows" Capital Budgeting Techniques Project evaluation and selection: Alternative Methods Risk and Managerial Options in Capital Budgeting	Book 1 Book 3
<b>Topic 7</b>	<b>Long-term Financing</b> <b>Capital structure and cost of capital</b> Types of long-term debt instruments Bonds and their features Preferred stock and its features Common stock and its features Dual-class common stock <b>The Loans and Leases</b> Long Term loans Mortgage loan Subordinate Provisions of loan agreements Lease Financing and its reporting in financial statements Lease financing vs. debt financing	<b>Book 2</b>
<b>Topic 8</b>	<b>Dividend Policy</b> DRIPs Factor influencing dividend policies Stock dividend and stock split Stock repurchases Dividend pay out policy.	<b>Book 2</b> <b>Book 3</b>
<b>Topic 9</b>	<b>Leverage and business risk</b>  Operating leverage Financial leverage	<b>Book 2</b>

	Total leverage Other methods of analysis.	
--	--	--

**Recommended Books:**

- (1) Fundamentals of financial Management (latest edition 12th) by Eugene F. Brigham, Joel H. Houston
- (2) Fundamentals of Financial Management, By James C. Van Horn
- (3) Financial Management, By Lawrence J. Gitman