

CP-203 : FINANCIAL MANAGEMENT

Objectives

The purpose of this course is to acquaint the students with the broad framework of financial decision making in a business unit.

Course Contents

Unit -I

Aims and Objectives of Financial Management; Role of Finance Manager, Time Value of Money; Instruments of Long term Finance, Cost of Different Sources of Raising Capital, Weighted Average Cost of Capital, Marginal Cost of Capital

Unit -II

Operating and Financial Leverage, Valuation and Capital Structure Decisions, Capital structure Theories – NI and NOI approach, MM Hypothesis without taxes and under corporate taxes, Optimum Capital Structure, Economic Value Added.

Unit -III

Methods of Capital Budgeting – Payback, ARR, IRR, NPV and PI, Analysis of Risk in Capital Budgeting – Sensitivity Analysis, Scenario Analysis, Financial Modelling, Use of Excel for Financial Decision Making.

Unit -IV

Working Capital Concept, Nature and scope, Determinants of Working Capital, Instruments of Short-term Financing - Management of Working Capital, Cash, Receivable and Inventory Management.

Unit -V

Internal Financing and Dividend Policy, Dividend Models, Recent development in Financial Management – GDR, ADR, FCCB, ZCB, DDB, Warrants, SPN, Equipref, Sweat Equity Shares, ESOP, Tracking Stocks, Disaster Bonds, Mortgage Based Securities, etc.

Suggested Readings

1. Archer, Stephen H. etc. *Financial Management*. New York, John Wiley, 1990.
2. Bhalla, V K. *Financial Management and Policy*. 2nd ed., New Delhi, Anmol, 1998.

3. *Brealey, Richard A. and Myers Stewart C. Principles of Corporate Finance. 5th ed., New Delhi, McGraw Hill, 1996.*
4. *Hampton, John. Financial Decision Making. Englewood Cliffs, New Jersey, Prentice Hall Inc., 1997.*
5. *Van Horne, James C. Financial Management and Policy. 1 Oth ed., New Delhi, Prentice Hall of India, 1997.*
6. *Winger, Bernard and Mohan, Nancy. Principles of Financial Management. New York, Macmillan Publishing Company, 1991.*

The list of cases and specific references including recent articles will be announced in the class at the time of launching of the course.