

MFC 1.7 Financial Management

Objective

The objective of this course is to help student to understand the conceptual framework of financial management and its applications under various environmental constraints.

Course Inputs

1. **Financial Management:** Meaning, nature and scope of finance; Financial goal -profit vs. wealth maximization; Finance functions - investment, financing and dividend decisions.
2. **Capital Budgeting:** Nature of investment decisions; Investment evaluation criteria –net present value, internal rate of return, profitability index, payback period, accounting rate of return; NPV and IRR comparisons; Capital rationing; Risk analysis in Capital budgeting.
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.
4. **Operating and Financial Leverage:** Measurement of leverages: Effect of operating and financial leverage on profit: Analyzing alternate financial and operating leverage.
5. **Capital Structure Theories:** Relevant and Irrelevant theory taxes; Determining capital structure in practice.
6. **Dividend Policies:** Issues in dividend decision,-M Walte hypothesis, dividend and uncertainty, relevance of dividend; Dividend policy in practice; Forms of dividends; Stability in dividend policy; Corporate divined behaviour.
7. **Management of Working Capital:** earning, significance and types of working capital; Calculating operating weighing cycle period and estimation of working capital requirements, Financing of working capital and norms and of bank finance; Sources of working capital; Factoring services; Various committee reports on bank finance; Dimensions of working capital management.
8. **Management of cash, receivable and inventory.**

Suggested Readings

- Archer Stephen, H., Choate G Marc, Racette, George: Financial Management, John Wiley, New York.
- Bhattacharya, Hrishikesh: Working Capital Management: Strategies and Techniques, Prentice Hall, New Delhi.
- Block, Stanley B, Geoffrey A Hilt: Foundations of Financial Management; Richard D, Irwin, Homewood, Illinois.
- 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.
- Khan M.Y., Jain P.K.: Financial Management, Tata McGraw Hill, New Delhi
- Pandey, I.M.: Financial Management, Vikas Publishing House, Delhi.
- Pinches, George E: Essentials of Financial Management, Harper and Row, New York.
- Van Horne, J.C. and J.M. Wachowicz Jr: Fundamentals of Financial Management, Prentice Hall, Delhi.

- Van Horne, James C: Financial Management and Policy, Prentice Hall, Delhi