

## MASTER OF COMMERCE - FIRST SEMESTER

### FINANCIAL MANAGEMENT

Code: **HC 1.3**

Contact Hours: **64**

Credit Points: **4**

Evaluation: Continuous Internal Assessment – **30 Marks**

Semester-End Examination – **70 Marks**

Univ Code:

Work load: **4 hours per week**

**Objective:** To acquaint the students with broad framework of financial management, to impart the knowledge in techniques of financial management, and enable them to apply the techniques in financial management decisions.

**Pedagogy:** A combination of Lectures, Case Analysis, Group Discussions, Seminars, Assignments, etc.

**Module 1: Financial Management:** An overview-nature, significance, functions and scope of financial management, financial management and its relationship with other disciplines; significance of financial management in business; Objectives of financial management; Time value of money. Present value of an annuity, Future value of an annuity, inter-year compounding and discounting.

**Module 2: Sources of Finance to Business-**Instruments of long term finance, Cost of Capital - meaning and concept; cost of equity, cost of debt, weighted average cost of capital. Capital Structure – meaning and concept of capital structure; theories of capital structure-Net Income Approach, Net Operating Income Approach, Traditional Approach, Modigliani & Miller (MM) Approach; Taxation and Capital Structure- corporate and personal tax; Case study on the effect of Capital Structure change on securities price.

**Module 3: Capital Budgeting Decisions:** Meaning and Concept; Principles and characteristics of capital budgeting; Process of capital budgeting; Investment criteria- Net Present Value, Benefit Cost Ratio, Internal Rate of Return, Modified Internal Rate of Return, Discounted Payback period, accounting Rate of Return, EVA, Profitability Index, Capital Budgeting Decisions under uncertainty.

**Module 4: Working Capital Management:** Concept, characteristics, importance of WCM, Factors influencing working capital requirement; Computation through operating cycle approach; Walker's Four Part Theory of WCM, Inventory Management Techniques – EOQ and Re-order Point, Cash Management Theories.

**Module 5: Dividend Decisions:** Why firms pay dividends; Legal and procedural aspects; Dividend and management valuation- Walter's Model, Gordon's Model, MM Position, Radical Position, Case study on dividend policy.

#### Recommended Books

1. Brigham E F, **Financial Management Theory and Practice**, Dryden Press Publications.
2. M Y Khan and P K Jain, **Financial Management**, Tata McGraw-Hill Publishing Company.
3. Prasanna Chandra, **Financial Management Theory and Practice**, Tata McGraw-Hill Publishing Company.
4. IM Pandey, **Financial Management**, Vikas Publishing House Private Limited, New Delhi.
5. Hampton, John, **Financial Decision Making**, Prentice Hall, Englewood Cliffs Publication.

6. Archer, Stephen H, **Financial Management**, John Wiley Publications.
7. Van Horne, James C, **Financial Management and Policy**, PHI Publications
8. **Financial Management**, ICFAI Publications
9. V K Bhalla, **Financial Management and Policy**, Text and Cases, Annual Publishers