

Principles of Financial Management

Program in which it is offered: B.Com

Course Category: Core

Schedule of Offering: Semester

Course Credit Structure: 4

Course Code: CK161

Lecture: 4 hours

Contact Hours per week: 4 hours

Instructor:

1. Introduction

'Principles of Financial Management' is an excellent course for any student who wants to succeed in the management of finance. This course will provide both theoretical and practical understanding of financial management aspects. Through a blend of interactive discussions this course would enable the students apply the concepts of financial management, investment decision, financing decision, dividend decisions and working capital decisions.

2. Course Objectives

- To explain the basic concept of financial management and the financial environment of the business
- To explain the techniques of financial analysis and planning
- To elucidate capital budgeting process and financing decisions
- To describe the role of working capital management and dividend decisions

3. Pre-requisites

Since this course will be taught in English, students taking this course must be comfortable with basic usage of English. Apart from this, the course has no other Prerequisites.

4. Readings

Recommended Texts:

1. James C. Van Horne and Sanjay Dhamija, *Financial Management and Policy*, Pearson Education
2. Brigham and Houston, *Fundamentals of Financial Management*, Cengage Learning
3. Khan and Jain. *Basic Financial Management*, McGraw Hill Education
4. Chandra, P. *Fundamentals of Financial Management*. McGraw Hill Education

5. Singh, J.K. Financial Management- text and Problems. 2nd Ed. Dhanat Rai and Company Delhi
6. Pandey, I.M. Financial Management. Vikas Publications.

5. Module-wise topics

Module 1: Financial Management – An Overview (12 hours)

Topics:

- Financial Management: Meaning, Scope, Financial manager's role
- Objective of Financial Management: Profit Maximisation and Wealth Maximisation
- Financial environment of Business: Financial Institutions & Markets
- Portfolio Investment
- Risk and Return

Learning Outcome:

- Students will get an introductory idea about the financial environment and financial management.

Module 2: Financial Analysis and Planning (12 hours)

- Financial Statement Analysis: Techniques
- Ratio Analysis: Liquidity, Solvency, Activity & Profitability
- Financial ratios as predictors of failure - Altman Z-score
- Financial and Profit Planning
- Preparation of Profit plans
- Estimation of Capital requirements and Business Plan

Learning Outcome:

- Students will learn various techniques of financial analysis and planning.

Module 3: Investment Decisions (14 hours)

Topics:

- Time Value of Money
- Capital Budgeting Process
- Determination of Cash Flows
- Capital Budgeting Techniques: Traditional and modern Method (Payback Period Method, Accounting Rate of Return, Discounted cash flow methods: Net Present Value (NPV), Internal Rate of Return (IRR), Profitability Index)
- Cost of Capital: Estimation of components of cost of capital
- Methods for calculating cost of equity capital, Cost of Retained Earnings, Cost of Debt and Cost of Preference Capital
- Weighted Average cost of capital (WACC)

Learning Outcome:

- Students will understand the concept of capital budgeting and cost of capital that are important for a business in taking investment decisions.

Module 4: Financing and Dividend Decisions (12 hours)

Topics:

- Long-term Sources of finance
- Capitalisation: over and under capitalisation, optimum capitalisation
- Capital structure decision and Determinants (theory only)
- Theories of Capital Structure: Net Income, Net Operating Income, MM Hypothesis, Traditional Approach
- Operating and financial leverage.
- Dividend Policy and Determining factors
- Payout Ratio- Retention Ratio- dividend yield ratio
- Forms of Dividend: Cash Dividend and Bonus Shares; Stock Split and Reverse Split.

Learning Outcome:

- Students will understand the concept and theories of capital structure
- They will also get a general idea on the dividend policy.

Module 5: Working Capital Decisions (10 hours)

Topics:

- Sources of short-term finance
- Concepts of working capital
- Factors determining working capital
- Working capital estimation - Operating Cycle Method only

Learning Outcome:

- Students will understand the concept of working capital.

6. Pedagogy

The sessions would be a blend of in-class discussions, interactive lectures, discussions on readings and presentations. The learnings in this course would greatly depend upon discussions with fellow participants, faculty as well as by way of your observation and innovations.

7. Evaluation Pattern

The evaluation is based on a continuous process as given below.

• Mid Term Examination	:	25%
• Student' assignment	:	20%
• Students' Presentation	:	15 %
• End-Term Examination	:	40 %
Total	:	100 %