

Programme..Master of Commerce (MCom)

MCM5201 FINANCIAL MANAGEMENT

Course Code	MCM5201	Semester	II
Course Title	FINANCIAL MANAGEMENT		
Credits	4	Type	Core

Learning/Course Objective

- To Introduce students to financial management and its importance and its applications in business, their relationship with the business environment and the role and functions of chief financial officer.
- To evaluate various financial decisions and its implications on shareholders.
- To make the student understand the basic concept of Operating and Financial Leverage.
- To Demonstrate the importance of working capital management and the tools to manage it.
- To give the knowledge about financial analysis of an organization in terms of risk analysis, capital structure approaches.
- To find out the cost for the capital and various dividend theories.

Course Structure

UNIT I:

Financial Management: Meaning, nature and scope of finance; financial goal - profit Vs. Wealth Maximization; Finance functions – investment, financing and dividend decisions.

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 comparison; Capital rationing; Risk analysis in capital budgeting.

UNIT II:

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. Operating and Financial Leverage: Measurement of Leverages; Effects of operating and financial leverage on profit; Analysing alternate financial plans; Combined financial and operating leverage.

UNIT III:

Capital Structure Theories: Traditional and M.M. Hypotheses – without taxes and with taxes; Determining capital structure in practice.

UNIT IV:

Management of Working Capital: Meaning, significance and types of working capital; Calculating of operating cycle period and estimation of working capital requirements; Financing of working capital ; Sources of working capital; Factoring services; Dimensions of working capital management. Management of cash, receivables and inventory.

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UNIT V:

Dividend Policies: Issues in dividend decisions, Walter's model, Gordon's model, MM Hypothesis, dividend and uncertainty, relevance of dividend; Dividend policy in practice; Forms of dividends; Stability in dividend policy; Corporate dividend behaviour.

Learning/Course Outcome

- To understand basic concepts and theories of Financial Management.
- To apply the fundamental concepts and tools of finance.
- Understand various theories, policies and practices of dividend.
- Understand the concept, components and importance of working capital.
- Estimate working capital requirement.
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Books for Reference

1. Pandey, I.M: Financial Management, Vikas Publishing House, Delhi
2. Khan MY, Jain PK: Financial Management; Tata McGraw Hill, New Delhi
3. Chandra, Prasanna: Financial Management, Tata McGraw Hill, Delhi. 2010
4. Hampton, John: Financial Management, Vikas Publishing House, Delhi. 2006
5. Van Horne, J.C. and J.M Wachowicz Jr.: Fundamentals of Financial Management, Prentice – Hall, Delhi. 2008
6. Briham&Ehrhardt: Financial Management- Text & Cases, CENGAGE Learning India (P) Ltd., New Delhi. 2009

Theory and Problem: - 40:60