

## Veer Narmad South Gujarat University

### 305-Financial Management

Course	305
Course Title	Financial Management
Credit	4
Teaching per Week	4 Hours
Review / Revision	June, 2022
Minimum weeks / Semester	15 (Lectures, Guest Lectures, Case Study, Presentations, Group Assignments)
Medium of Instruction	English
Purpose of Course	To equip the students with adequate knowledge, skills and abilities so that they can troubleshoot financial problems and look after the financial position of businesses.
Course Objective	To acquaint students with the concepts, tools, techniques of financial management and their applications for business decision making
Course Outcome	The students will be able to - Explain fundamentals of financial management Apply capital budgeting projects using traditional methods Analyse various ways of raising long term and short term capital and their respective advantage and disadvantages

### Course Content

#### **Unit 1: Introduction of Financial Management (20%)**

- Meaning and Nature of Financial Management (FM)
- Finance and related disciplines (Economics, Accounting, Other Functional Areas of Management)
- Evolution of Financial Management –Traditional , Transitional and Modern,
- Goals of FM: Profit Maximization, Wealth Maximization .
- Functions of finance – Financing Decision, Investment Decision, Dividend Decision and Liquidity Decision,
- Organization of financial Function ( status and duties of financial manager: Treasurer and Controller)

#### **Unit 2: Long Term Investment Decision (30%)**

- Capital Budgeting –meaning, importance and process of capital budgeting,
- Time Value of Money – concept , concept of Present value, Future value (single cash flow and annuity)
- Concept of capital rationing
- Evaluation Techniques ( Meaning, Accept-Reject Criteria, Advantages and Disadvantages and numerical based on each methods)
- Non-Discounted Cash Flow Techniques
  1. Accounting Rate of Return
  2. Pay Back Period
- Discounted Cash Flow Techniques
  1. Net Present Value
  2. Internal Rate of Return
  3. Profitability Index Method (Practical assignment to calculate methods of capital budgeting)

using Excel (assignment Purpose only) <b>*Numerical of capital budgeting methods cover independent and mutually exclusive projects / proposal only)</b>	
<b>Unit 3: Sources Of Finance</b>	<b>(25%)</b>
<ul style="list-style-type: none"> <li>• Long-Term Finance</li> <li>• Features, Advantages and Disadvantages of the following forms of finance:               <ol style="list-style-type: none"> <li>1) Equity Shares</li> <li>2) Preference shares</li> <li>3) Debentures</li> <li>4) Term Loan</li> <li>5) Right shares (brief idea)</li> <li>6) Retained earnings</li> <li>7) Mezzanine Debt (brief idea)</li> </ol> </li> <li>• Short-Term/ Sources of Working Capital Finance               <ol style="list-style-type: none"> <li>1) Indigenous Bankers</li> <li>2) Trade Credit</li> <li>3) Public Deposits</li> <li>4) Factoring</li> <li>5) Commercial Paper</li> <li>6) Inter-corporate Deposit</li> <li>7) Certificate of Deposit</li> </ol> </li> </ul>	
<b>Unit 4: Working Capital Management</b>	<b>(25%)</b>
<ul style="list-style-type: none"> <li>• Introduction of Working Capital Management:</li> <li>• Meaning of working capital, Types - Gross, Net, factors affecting working capital, brief idea and example of Operating cycle and cash cycle, estimation of working capital requirement (numerical)</li> <li>• Management of Cash – objective of cash management, motives to hold cash, Cash management technique- managing cash inflow and managing cash outflow techniques</li> <li>• Receivables Management – Objectives, Credit Policy variables, Costs - Collection Cost, Capital Cost, Default Cost, Delinquency Cost, Credit Evaluation Methods (Traditional, Numerical credit scoring, Risk Classification)</li> <li>• Monitoring receivable (Days Sales Outstanding, Aging Schedule, Collection Matrix)</li> </ul>	

**Suggested Readings:**

- M.Y. Khan & P.K. Jain, Financial Management - Text Problem and Cases, Tata McGraw Hill Publishing Co. Ltd.
- I. M. Pandey: Financial Management - Theory and Practices, Vikas Publishing House.
- R. P. Rustogi, Financial Management - Theory Concepts and Practices, Taxmann Publication.
- P.V.Kulkarni and B.G. Satyaprasad – Financial Management, Himalaya Publishing House
- Prasanna Chandra- Financial Management: Theory and Practice, McGraw Hill Higher Education
- G. Sudarsana Reddy -Financial management , Himalaya Publishing House
- Sheeba Kapil - Financial Management, Pearson
- R.A. Brealey, S.C. Myers, F. Allen& P. Mohanty, Principles of Corporate Finance, McGraw Hill Higher Education
- J.V. Horne & J.M. Wachowicz, Fundamentals of Financial Management, Prentice Hall