

MB202: Financial Management

Course Objectives:

Finance Management is designed to expose the student to the financial issues of determining the monetary resources needed by a business, the mix of these resources, the sources and uses of funds, the benefits, risks and costs associated with different types of resources and financing. It Covers basic financial concepts and practices and includes analysis of company resources, types and sources of financing, forecasting and planning methods, and the roles of the money.

- Ability to organize, analyze and interpret numerical and financial data
- Sound decision-making abilities in the area of Investment, Financing, Dividend
- Proficiency in oral and written communications with the ability to explain complex financial transactions and data to others
- Knowledge of economics and accounting in addition to finance
- Demonstrate the ability to organize, analyze and draw appropriate conclusions from financial information
- Apply foundation knowledge and skills necessary to identify problems and generate feasible alternatives.
- Demonstrate the ability to apply financial information to recommend and justify solutions to financial problems

Unit-I: Finance Function:

Nature & Scope, Evolution of Finance Function, its New Role in the Contemporary Scenario, Goals of Finance Function, Maximization Versus Satisfying, Profit Versus Wealth Versus Welfare, the Agency Relationship & Cost, Risk Return Trade Off, Concept of Time Value of Money- Future Value & Present Value.

Unit-II: Investment Decision:

Investment Decision Process, Project Generation, Project Evaluation, Project Selection & Project Implementation, Developing Cash Flow, Data for New Projects, Using Evaluation Techniques. Capital Budgeting Decision under Conditions of Risk and Uncertainty, Measurement of Risk Certainty Equivalents & Beta Co-efficient, Probability Tree Approach, Sensitivity Analysis.

Unit-III: Financing Decision:

Sources of Finance, a Brief Survey of Financial Instruments, Capital Structure Theories, Concept and Financial Effects of Leverage, the Capital Structure Decision in Practice, EBIT-EPS Analysis, Cost of Capital. The Concept, Average versus Marginal Cost of Capital, Measurement of Cost of Capital Component, Costs of Weighted Average, Cost of Capital.

Unit-IV: Current Assets Management:

Concept of Current Assets, Characteristics of Working Capital, Factors Determining Working Capital, Estimating Working Capital Requirements, Working Capital Policy, Management of Current Assets, Cash Management, Receivables Management & Inventory Management. Bank Norms for Working Capital Financing.

Unit -V: Dividend Decision:

The Dividend Decision, Major Forms of Dividends - Cash & Bonus Shares. The Theoretical Back Drop - Dividends & Valuation. Major Theories Centred on the Works of Gordon & Walter.

Suggested Books:

1. Brigham, E.F. and Ehrhardt M.C., "Financial Management Theory and Practice" 2006, 10th Ed. Thomson South-Western
2. Prasanna Chandra, "Financial Management" "Financial Management Theory and Practice", 7th Ed. Tata McGraw Hill
3. IM. Pandey, "Financial Management", 2010, 10th Ed. Vikas Publishing House. Khan and Jain, "Financial Management".
4. Financial Management and Management and Accounting, C.Rama Gopal
5. Jonathan Berk, Peter DeMarzo, Ashok Thampy, "Financial Management", 2010, Pearson.

Course Outcomes :

Upon successful completion of Financial Management, the student will be able to:
Demonstrate an understanding of the overall role and importance of the finance function.

1. Demonstrate basic finance management knowledge.
2. Communicate effectively using standard business terminology.