

**III. MAJOR COURSE- MJ 14:****FINANCIAL MANAGEMENT AND PRINCIPLES****Marks: 25 (5 Attd. + 20 SIE: 1Hr) + 75 (ESE: 3Hrs) = 100****Pass Marks: Th (SIE + ESE) = 40****(Credits: Theory-04) Theory: 60 Lectures****Course Objective:**

The course aims to enable students to acquire knowledge of principles and practice of financial management.

**Course Learning Outcomes:**

After completion of the course, learners will be able to:

1. Analyse the conceptual framework of financial management and will have an insight into the concept of time value of money and risk and return.
2. Analyse the capital budgeting process and demonstrate decision making abilities using different techniques of capital budgeting.
3. Compute the cost of capital; critically analyse and understand different capital structure theories and factors affecting capital structure decision of a firm.
4. Analyse and understand different theories of dividend and factors affecting dividend policy.
5. Examine the concept of working capital and estimate working capital requirements of a firm; critically examine and decide optimum credit policy for a firm.

**Course Contents:****Unit 1: Financial Management: An Overview**

Nature, scope, and objectives of financial management. Financial decision making and types of financial Decisions. Role of finance manager. Stakeholders' wealth maximization. An overview of time value of money and risk and return. Risk-return framework for financial decision making.

**Unit 2: Capital Budgeting Decision**

Nature, significance, and kinds of capital budgeting decisions. The Capital Budgeting Process, Cash Flow Estimation, Different techniques of Capital budgeting: Payback Period Method, Discounted Payback Period Method, Accounting Rate of Return, Net Present Value (NPV), Internal Rate of Return (IRR) and Profitability Index. Capital budgeting decision under inflation.

**Unit 2: Cost of Capital and Financial Decision**

Cost of Capital: Estimation of components of cost of capital: Method for calculating cost of equity, Cost of retained Earnings, Cost of Debt, Cost of Preference Capital, Weighted Average Cost of Capital (WACC) and Incremental (Marginal) Cost of Capital.

Capital Structure: Theories of Capital Structure (Net Income, Net Operating Income, MM Hypothesis, Traditional Approach). Determinants of Capital Structure, Operating, Financial and Combined Leverage. EBIT-EPS Analysis.

**Unit 4: Dividend Decision**

Theories for relevance and irrelevance of dividend decision for corporate valuation- MM Approach, Walter 's Model, Gordon 's Model. Determinants of Dividend policy.

**Unit 5: Working Capital Decision**

Concepts of Working Capital, Operating & Cash Cycles, Risk-return Trade off, working capital estimation, Brief Introduction of Cash management, Receivables Management, Inventory Management, and payables management.

**Unit 6: Corporate Restructuring and Contemporary Issues in Financial Management**

Corporate restructuring. Mergers and Acquisitions- types, sources of takeover gains, Contemporary issues in financial management.

**Reference Books:**

1. Brealey, Richard A, Myers Stewart C, Allen Franklin, Mohanty, Pitabas. Principles of Corporate Finance. McGraw Hills Education.
2. Khan, M.Y. and Jain, P.K. Financial Management: Text and Problems. Tata McGraw Hills, New Delhi.
3. Kothari, R. Financial Management: A Contemporary Approach. Sage Publications Pvt. Ltd. New Delhi.