Semester IV

Fundamentals of Financial management

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/ Practice		
Fundamentals of Financial Management	**4**	**3**	**1**	**0**	**Pass in Class XII**	**NIL**

Learning Objectives
To familiarize the students with the principles and practices of financial management.

Learning outcomes
After completion of the course, learners will be able to:
1. Explain the financial environment within which the organization must operate
2. Analyze the finances of individual corporations both in terms of their performance and Capital budgeting
3. Relate the importance of cost of capital within the context of financial decision making
4. Access financial information from a wide variety of sources and use this information
5. Estimate working capital requirement in a firm along with an understanding of cash Management.

Course Contents:
Unit 1: Financial Management: An Overview (9 hours)
Meaning, Importance, and Scope of Financial Management. Traditional and Modern Approach, Objectives and Functions of Financial Management, An Overview of Finance and Others Discipline, Role of Finance Manager, Agency Problem. Time Value of Money- Concept and Rationale, Valuation Techniques- Discounting and Compounding. Practical Applications of Time Value of Money, Concept of Risk and Return.

Unit 2: Investment Decisions (20 hours)
(a) Capital Budgeting Decisions- Capital Budgeting Process, Cash flow estimation.
Techniques of Capital Budgeting- Payback Period, Accounting Rate of Return, Net Present Value, Internal Rate of Return and Profitability Index.
(b) Working Capital Decisions - Concept of Working Capital, Operating & Cash Cycles, Risk-return Trade-off, Sources of short-term Finance, Working Capital Estimation.

Unit 3: Cost of Capital and Financing Decisions (10 hours)
Sources of Long-Term Financing, Components of Cost of Capital, Method for Calculating Cost of Equity, Cost of Retained Earnings, Cost of Debt, Cost of Preference Capital and Weighted Average Cost of Capital. Operating and Financial Leverage. An Overview of Theories of Capital Structure, Determinants of Capital Structure.

Unit 4: Dividend Decisions (6 hours)
Introduction to dividend decisions, Theories of Dividend – Irrelevance and Relevance, Types of Dividend Policies and Determinants of Dividend policy. Bonus Share (Stock Dividend) and Stock (Share) Splits.

Exercises:
The learners are required to:
1. Analyse and interpret case studies on capital budgeting, financial structure and working Capital of a company based on annual reports and other information.
2. Determine the operating cycle of the manufacturing company.
3. Use excel for evaluating various financing decisions.
4. Determine the capital structure of various companies from their annual reports.
5. Determine the working capital of various companies from their annual reports.

Suggested Readings

- Kothari, R. (2016). Financial Management: A Contemporary Approach. Sage Publications Pvt. Ltd. New Delhi.
- Pandey, I.M. (2011). Essentials of Financial Management. Vikas Publications. New Delhi
- Rustagi, R. P. (2019). Basic Financial Management Sultan Chand, New Delhi
- Sharma, S. K., & Sareen, R. (2018). Fundamentals of Financial Management Sultan Chand & Sons (P) Ltd. New Delhi.
- Singh, J. K. (2016). Basic Financial Management: Theory and Practice. Galgotia Publishing House New Delhi
- Singh, P. (2011). Financial Management. Ane Books Pvt. Ltd. New Delhi
- Singh, S., & Kaur, R. (2020). Basic Financial Management. Kitab Mahal. New Delhi
- Tulsian, P.C., & Tulsian, B. (2010). Financial Management. S.Chand. New Delhi.

Suggestive Readings:

- Chandra, P. (2011). Financial Management: Theory and Practice. Tata McGraw Hills, New Delhi.
- Horne, J. C. V., & Wachowicz, J. M. (2010). Fundamentals of Financial Management. Pearson Education
- Khan, M. Y., & Jain, P. K. (2007). Financial Management: Text and Problems. Tata McGraw Hills, New Delhi.

Note: Readings will be updated by the Department of Commerce and uploaded on Department's website.