

## GENERIC ELECTIVE (GE) COURSES

### Category-IV

#### GE1: FUNDAMENTALS OF FINANCIAL MANAGEMENT

Course Title	Total Credits	Components			Eligibility Criteria	Prerequisite if any	Department offering the course
		L	T	P			
Fundamentals of Financial Management	4	3	1	0	Class XII Pass	NIL	Finance and Business Economics

**Course Objectives:** To provide an understanding of the essential elements of the financial environment in which the business firm operates. To acquaint students with the techniques of financial management and their applications for business decision making.

**Learning Outcome:** At the end of this course, students will be equipped with the basic concepts of financial management. Students would understand how to coordinate various decisions to maximise wealth of an organisation in today's financial environment. Students will be equipped to arrive at strategic corporate finance decisions with the required accuracy which will be aided by using various excel functions.

#### Course Contents:

##### Unit 1 (12 hours)

Nature of Financial Management: Finance and related disciplines; Scope of Financial Management; Functions of finance – Finance Decision, Investment Decision, Dividend Decision; Objectives of Financial Management; Organisation of finance function; Concept of Time Value of Money – present value, future value, annuity.

##### Unit 2 (20 hours)

Strategic Investment Decisions: Capital Budgeting -; Nature and meaning of capital budgeting; Principles and Process; Estimation of relevant cash flows and terminal value; Evaluation techniques– Payback period, Accounting Rate of Return, Net Present Value, Internal Rate of Return, Net Terminal Value, Profitability Index Method.

Cost of Capital: Meaning and concept, Measurement of cost of capital – Cost of debt, Cost of Equity Share; Cost of Preference Share; Cost of Retained Earning; Computation of over-all cost of capital based on Historical and Market weights (WACC).

##### Unit 3 (16 hours)

Strategic Financing Decisions - Capital Structure, Theories and Value of the firm – Net Income approach, Net Operating Income approach, Traditional approach, Modigliani Miller (MM) model. Leverage analysis and EBIT-EPS Analysis: Concept of leverage, Types of leverage: Operating leverage, Financial leverage, Combined leverage; EBIT-EPS Analysis.

Guidelines for capital structure planning, Link between capital structure and capital budgeting. Dividend Decisions: Factors determining dividend policy, Theories of dividend-Gordon model, Walter model, MM Hypothesis. Dividend policies in practice.

#### **Unit 4**

**(12 hours)**

Working Capital Management: Determination of Working Capital. Determining financing mix of working capital. Receivables Management – Objectives; Credit Policy, Cash Discount, Debtors Outstanding and Ageing Analysis; Costs – Collection Cost, Capital Cost, Default Cost, Delinquency Cost. Management of Cash (Theory only) – Need for Cash, Cash Management Techniques (Lock box, Concentration Banking). Inventory Management (Theory only) – ABC Analysis; Minimum Level; Maximum Level; Reorder Level; Safety Stock; EOQ (Basic Model).

#### **Essential Readings:**

1. Berk and DeMarzo, 5th ed., Pearson - Prentice Hall.
2. Horne, James C V. and John M. Wachowicz, Jr. “Fundamentals of Financial Management.13th ed; FT Prentice Hall, Pearson Education.
3. Pandey, I.M. Financial Management, Pearson.

#### **Additional Readings:**

1. Khan, M.Y. & Jain, P.K. Financial Management Text Problem and Cases, Tata McGrawHill Publishing Co. Ltd.
2. Brealey, R. R., Myers. S., Allen, F., & Mohanty, P.. Principles of Corporate Finance. NewDelhi: Tata Mc-Graw Hill.

#### **Teaching – Learning Process:**

The teaching-learning process for this paper would include classroom lectures and tutorials; Case study discussions; class presentations; Workshops.

#### **Assessment**

Total Marks: 100

Internal Assessment: 25 Marks

End Semester University Exam: 75 Marks

The Internal Assessment for the course may include Class participation, Assignments, Class tests, Projects, Field Work, Presentations, amongst others as decided by the faculty.

#### **Key Words**

Finance, Capital Budgeting, Wealth Maximisation, Cost of Capital, Dividends, Leverage, Working Capital Management.