

## GENERIC ELECTIVE (GE) COURSES

### GE 2: FINANCIAL MANAGEMENT OF FAMILY BUSINESS

#### CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES OF THE COURSE

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/ Practice		
Financial Management of Family Business GE-2	4	3	1	0	Class XII	NA

#### Course Objectives:

- To familiarize students with various financial and quantitative techniques of analysis required at different stages for management of family business.
- To acquaint the students with qualitative aspects related to starting a new venture and various options for financing.

#### Learning Outcomes:

On successful completion of his course, the learner will be able to:

- Understand the process of screening of ideas and carrying out appraisal of new venture
- Learn various quantitative methods for demand forecasting and financial projections
- Evaluate projects using capital budgeting techniques
- Evaluate risk for business projects and identify alternative sources of financing

#### Course Contents

##### **Unit 1: Capital Investments & Starting a Venture (9 hours)**

Capital investments importance and difficulties, types of capital investments, phases of capital budgeting, levels of decision making, facets of project analysis, key issues in major investment decisions. Generation of ideas, monitoring the environment, corporate appraisal, tools for identifying investment opportunities, scouting for project ideas, preliminary screening, project rating index, sources of positive net present value.

##### **Unit 2: Demand Forecasting & Financial Projections (12 hours)**

Methods of demand forecasting: qualitative methods – jury of executive and Delphi method. Time series projection methods: trend projection, exponential smoothing and moving average method. Causal methods: chain ratio, consumption level, end use, bass diffusion, leading indicator and econometric method. Uncertainties in demand forecasting, improving forecasts, coping with uncertainties.

Financial estimates and projections: cost of project, estimates of sales and production, cost of production, working capital requirement and its financing, profitability projections, projected cash flow statement, projected balance sheet and multi-year projections.

**Unit 3: Capital Budgeting & Project Selection (12 hours)**

Project appraisal: market appraisal, technical appraisal, financial appraisal, economic appraisal, and managerial appraisal. Project cash flows: components of cash flow, basic principles of cash flow estimation, cash flows for a replacement project. Biases in cash flow estimation: overestimation and underestimation of profitability. Time value of money: concept, present and future value of a single amount, present and future value of an annuity. Investment evaluation criteria: payback period, accounting rate of return, net present value, profitability index, internal rate of return (IRR), modified internal rate of return (MIRR). Assessment of various methods, investment evaluation in practice.

**Unit 4: Risk Analysis and Financing (12 hours)**

Risk Analysis: sources and measures of risk. methods of assessing risk: sensitivity analysis, scenario analysis, break-even analysis, simulation analysis, decision tree analysis. Managing risk. Project selection under risk – judgmental evaluation, payback period requirement, risk adjusted discount rate method, certainty equivalent method. Risk analysis in practice.

Financing: capital structure, choices of financing, internal accruals, equity capital, preference capital, debentures (or bonds), term loans, raising capital in international markets, venture capital, private equity, venture capital vs private equity. Credit rating and appraisal by financial institutions – what information they want and how they appraise.

**Essential Readings:**

1. Chandra, P, *Projects – Planning, Analysis, Selection, Financing, Implementation, and Review*. 2019 Edition. McGraw Hill Education.
2. Agrawal, R., & Mehra, Y. S. (2017). *Project Appraisal and Management*. Taxmann Publications.

**Essential Readings:**

1. Chandra, P. (2019). *Projects: planning, analysis, selection, financing, implementation, and review*. Mcgraw Hill Education (India) Private Limited.
2. Agarwal, R, & Mehra, Y. (2021). *Project Appraisal and Management*. Taxmann Publications.

**Additional Readings:**

1. Goodpasture, C. J (2004): *Quantitative Methods in Project Management*. J. Ross Publishing.
2. Chandra, P. (2019). *Financial management : theory and practice*. Tata Mcgraw-Hill Pub.

**Examination scheme and mode:**

Evaluation scheme and mode will be as per the guidelines notified by the University of Delhi.