



# INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)

Dundigal - 500 043, Hyderabad, Telangana

## COURSE CONTENT

FINANCIAL MANAGEMENT								
II Semester: MBA								
Course Code	Category	Hours / Week			Credits	Maximum Marks		
CMBD15	Core	L	T	P	C	CIA	SEE	Total
		4	-	-	4	40	60	100
<b>Contact Classes: 45</b>	<b>Tutorial Classes: Nil</b>	<b>Practical Classes: Nil</b>			<b>Total Classes: 45</b>			
<b>Prerequisite: Financial Reporting and Analysis</b>								

### I. COURSE OVERVIEW:

The course focuses on the nature, scope, evolution of finance function; goals of finance function enable students to understand maximizing profit, wealth, welfare and earnings per share of business concern. Financial management is also very useful to the business concerns to take investment decisions, capital structure decisions and dividend decisions from time to time for the growth and development of business. This course includes management of cash, receivables, inventory and current assets in working capital planning. This course uses the analytical techniques and arriving at conclusions from financial information for the purpose of decision making

### II. COURSES OBJECTIVES:

#### The students will try to learn:

- I. The basic functions and goals of financial management for better utilization of funds.
- II. The investment strategies for effective utilization of financial resources.
- III. The capital structure decisions for proper utilization of funds.
- IV. The dividend decisions and related theories to help investors earn a high return on their investment.

### III. COURSE OUTCOMES:

#### At the end of the course students should be able to:

- CO 1 Describe the basic functions and goals of financial management to know the importance of finance function in the contemporary scenario.
- CO 2 Discuss the characteristics and importance of investment decisions and capital budgeting principles to evaluate the cash flows
- CO 3 Demonstrate the importance of financial structure and leverages decisions to analyze the capital structure.
- CO 4 Explain the measurement of cost of capital to help the business organizations in expanding the operations.
- CO 5 Enumerate the dividend decisions, value of the firm and relevance for dividends declaration and payments.
- CO 6 Examine the concept of working capital and committees recommendations on this concept to identify the fund requirement for day-to-day operations.

#### **IV. COURSE CONTENT:**

##### **MODULE - I: THE FINANCE FUNCTION (10)**

Nature and scope, functions, objectives and importance of financial management, evolution of finance function, new role in the contemporary scenario, profit maximization, wealth maximization and EPS maximization, role of financial manager, the agency relationship and costs, risk return trade off, concept of time value of money, future value and present value.

##### **MODULE - II: THE INVESTMENT DECISION (09)**

Investment decision process, developing cash flow, data for new projects, capital budgeting techniques: traditional and discounted cash flow methods: payback period method, average rate of return method, net present value method, profitability index method, internal rate of return method (problems), the net present value vs. internal rate return; approaches for reconciliation, capital budgeting decision under conditions of risk and uncertainty;

##### **MODULE - III: CAPITAL STRUCTURE DECISIONS (08)**

Cost of capital: concept and measurement of cost of capital, debt vs. equity, cost of equity, preference shares, equity capital and retained earnings, weighted average cost of capital and marginal cost of capital. Importance of cost of capital in capital budgeting decisions.

Capital structure vs. financial structure: capitalization, financial leverage, operating leverage and composite leverage, earnings before interest and tax, Earning per Share Analysis (problems).

##### **MODULE - IV: DIVIDEND DECISION (10)**

Dividends and value of the firm, Relevance of dividends, MM hypothesis, Factors determining dividend policy, dividends and valuation of the firm, the basic models. Declaration and payment of dividends, bonus shares, rights issue, share-splits, and major forms of dividends: cash and bonus shares, The theoretical backdrop: dividends and valuation, Major theories centered on the works of Gordon and Walter models (problems). A brief discussion on dividend policies of Indian companies.

##### **MODULE - V: WORKING CAPITAL MANAGEMENT (08)**

Components of working capital, gross vs. net working capital, determinants of working capital needs, the operating cycle approach. Management of cash, basic strategies for cash management, cash budget (problems), cash management techniques/processes; management of receivables and management of inventory (problems), the importance of current assets management in working capital planning, planning of working capital, financing of working capital through bank finance and trade credit, recommendations of Tandon and Daheja committee on working capital, cases.

#### **V. TEXTBOOKS:**

1. Chandra, Prasanna, "Fundamentals of Financial Management", McGraw-Hill Education, 9<sup>th</sup> edition, 2020.
2. Rajesh Kothari, "Financial Management a contemporary Approach", Sage publications, 1<sup>st</sup> edition, 2017.
3. Srivastava, "Financial Management", Himalaya Publication House, Mumbai, 6<sup>th</sup> edition, 2016.
4. Prasanna Chandra, "Financial Management Theory and Practice", Mc Graw Hill, New Delhi, 9<sup>th</sup> edition, 2015.
5. I.M. Pandey, "Financial Management", Vikas Publishing House, New Delhi, 11<sup>th</sup> edition, 2015.
6. Brigham, E. F. and Ehrhardt. M. C. "Financial Management Theory and Practice", Cengage Learning, USA, 15<sup>th</sup> edition, 2015.
7. I.M. Pandey, "Financial Management", Vikas Publishing House Publications, 10<sup>th</sup> edition, 2010.
8. Jonathan Berk, Peter DeMarzo and Ashok Thampy, "Financial Management", Pearson Publications, 4<sup>th</sup> edition, 2010.

#### **VI. REFERENCE BOOKS:**

1. Brigham, E. F. and Ehrhardt. M. C., "Financial Management Theory and Practice", Thomson South- Western Publications, 10<sup>th</sup> edition, 2006.
2. Vishwanath S. R., "Corporate Finance Theory and Practice", Sage Publications, 2<sup>nd</sup> edition, 2007.

3. Prasanna Chandra, “Financial Management Theory and Practice”, Tata McGraw Hill, 7<sup>th</sup> edition, 2005.
4. Sudershana Reddy, “Financial Management”, HPH Publications, 6<sup>th</sup> edition, 2010.
5. Rajiv Srivastava and Anil Misra, “Financial Management”, Oxford Higher Education Publications, 4<sup>th</sup> edition, 2009.

#### **VII. Web References:**

1. [http://qu.edu.iq/ade/wp-content/uploads/2016/02/financial\\_management\\_www.accfile.com\\_.pdf](http://qu.edu.iq/ade/wp-content/uploads/2016/02/financial_management_www.accfile.com_.pdf)
2. [http://bschool.nus.edu.sg/staffprofile/bizzwn/Financial\\_Mgt\\_2E.pdf](http://bschool.nus.edu.sg/staffprofile/bizzwn/Financial_Mgt_2E.pdf)

#### **VIII. E-Text Books:**

1. <http://www.freebookcentre.net/Business/Finance-Books.html>
2. <http://www.icaew.com/en/library/library-collection/ebooks/financial-management>
3. [https://www.google.co.in/books/edition/Financial\\_Management\\_Principles\\_and\\_Prac/sSzpPWD SapoC?hl=en&gbpv=1&dq=financial+management+e-books&printsec=frontcover](https://www.google.co.in/books/edition/Financial_Management_Principles_and_Prac/sSzpPWD SapoC?hl=en&gbpv=1&dq=financial+management+e-books&printsec=frontcover)
4. [https://www.google.co.in/books/edition/Financial\\_Management\\_Theory\\_Problems\\_and/r11jDw AAQBAJ?hl=en&gbpv=1&dq=financial+management+e-books&printsec=frontcover](https://www.google.co.in/books/edition/Financial_Management_Theory_Problems_and/r11jDw AAQBAJ?hl=en&gbpv=1&dq=financial+management+e-books&printsec=frontcover)
5. <https://drive.google.com/file/d/1pygRBdSzM1xRuNVEfrEY4Z2BwZX4olhE/view?showad=true>