

GUJARAT TECHNOLOGICAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

Year 2017-18 (Semester: –II) (W.E.F. Academic Year 2017-18)

Subject Name: FINANCIAL MANAGEMENT (FM)

Subject Code: __3529203__

Subject Credits: 3

Total Marks: 150

1. Course Objectives:

- Finance function assumes strategic importance as it is charged with the responsibility of maximizing the value of the firm. The course content will equip the students with conceptual understanding of finance and its practical application.
- The course also intends to make students gain the practical knowledge of various financial decisions of the organisation with the help of selected numerical problems available in various suggested text books.
- The course will help the students in applying the concepts of Financial Management in their role as Financial Managers.

2. **Course Duration:** The course duration is of **36 sessions of 75 minutes** each.

3. Course Contents:

Module No.	Modules with its Contents/Chapters	No. of Sessions	Marks (out of 70)
I	Overview of Financial Management - Meaning, Objectives, Scope and Functions of Financial Management (Financial Decisions), Finance and Related Disciplines, Financial Goal: Profit Maximization versus Shareholders' Wealth Maximization, Role of the Financial Manager; Time value of Money- Concepts, Compounding, Discounting, Annuities; Valuation of Bonds and Shares; Sources of Long-Term Finance- Equity Shares, Preference Shares and Debentures	08	14
II	Understanding Investment Decisions (Capital Budgeting Decisions) – Meaning, Features, Types and Importance of Investment Decisions; Discounted Cash Flow (DCF) and Non-discounted Cash Flow Techniques;		

	<p>Cost of Capital – Significance, Concept of the Opportunity Cost of Capital, Weighted Average Cost of Capital (WACC), Component Costs of Capital - Cost of Debt, Preference Capital and Equity Capital, Capital Asset Pricing Model (CAPM), Risk Diversification: Systematic and Unsystematic Risk, Risk-Return Trade-off</p>	10	21
III	<p>Leverage - Operating, Financial and Combined Leverage;</p> <p>Understanding Financing Decisions (Capital Structure Decisions) - NI Approach, NOI Approach, Traditional Approach, MM Theory with and without Taxes;</p> <p>Understanding Dividend Decision - Issues, Objectives and Determinants of Dividend Policy, Forms of Dividend, Dividend Theory- Dividend Relevance - Walter’s Model and Gordon’s Model, MM Theory of Dividend Irrelevance</p>	10	21
IV	<p>Working Capital Management- Concepts of Working Capital, Operating Cycle, Determinants of Working Capital, Issues in Working Capital Management, Estimating Working Capital Needs. Working Capital Finance Policies;</p> <p>Inventory Management –Significance and Objectives, Costs associated with Inventory, Inventory Management Techniques (EOQ), ABC Inventory Control System;</p> <p>Cash Management – Need, Cash Management Cycle, Cash Forecasting, Determining the Optimum Cash Balance under Certainty (Baumol’s Model) and Uncertainty (The Miller-Orr Model);</p> <p>Receivable Management- Nature and Goals of Credit Policy, Optimum Credit Policy, Credit Policy Variables</p>	08	14
V	<p>Application: Select suitable organization and study:</p> <ul style="list-style-type: none"> • The role and functions of Finance department; • Select Scrip or bonds and do the valuation of its Securities; • Study the investment decisions, • Dividend policy, working capital policy and cash budgeting etc. 		(30 Marks of CEC Internal Evaluation)

4. Teaching Methods:

The course will use the following pedagogical tools:

- (a) Selected cases covering major courses.
- (b) Solving the numerical according to the requirements of the chapters
- (c) Projects/Assignments/Quiz/Class Participation, etc.

5. Evaluation:

The evaluation of participants will be on continuous basis comprising of the following Elements:

A	Continuous Evaluation Component comprising of Presentation, Projects, Class test/ Quiz, MCQs etc)	(Internal Assessment- 50 Marks)
B	Mid-Semester examination	(Internal Assessment-30 Marks)
C	End –Semester Examination	(External Assessment-70 Marks)

6. Text Books:

Sr. No.	Author	Name of the Book	Publisher	Year of Publication
1	I M Pandey	Financial Management	Vikas Publication	Latest Edition
2	Chandra Prasanna	Financial Management, theory and Practice	Tata McGraw Hill	Latest Edition
3	Khan and Jain	Financial Management	Tata McGraw Hill	Latest Edition

Note: Wherever the standard books are not available for the topic appropriate print and online resources, journals and books published by different authors may be prescribed.

7. Reference Books:

Sr. No.	Author	Name of the Book	Publisher	Year of Publication
1	Ravi Kishore	Financial Management – Problems and Solutions	Taxmann	Latest Edition
2	Rajiv Srivastava & Anil Misra	Financial Management	Oxford Higher Education	Latest Edition
3	Kulkarni, Satyaprasad	Financial Management	Himalaya Publication	14 th Revised Edition
4	P C Tulasiyani	Financial Management	S. Chand	Latest Edition
5	Brigham, Ehrhardt	Financial Management	Cengage	14 th Edition

6	Vyuptakesh Sharan	Fundamentals of Financial Management	Pearson	3 rd Edition
7	R P Rastogi	Financial Management	Taxmann	Latest Edition

8. List of Journals/Periodicals/Magazines/Newspapers, etc.

1. News Paper: Business Standard, Economic Times, Times of India
2. Journals: Finance India, Global Journal of Finance & Management, Journal of Business & Financial Affairs etc.
3. Websites pertaining to companies, capital market, RBI etc.

9. Session Plan: (36 sessions of 75 minutes)

Session Nos.	Topics to be covered
1-2	Overview of Financial Management - Meaning, Objectives, Scope and Functions of Financial Management (Financial Decisions), Finance and Related Disciplines, Financial Goal: Profit Maximization versus Shareholders' Wealth Maximization, Role of the Financial Manager
3-4	Time value of Money- Concepts, Compounding, Discounting, Annuities Expected: Discussing and Solving Numerical Examples
5-6	Valuation of Bonds and Shares Expected: Discussing and Solving Numerical Examples
7-8	Sources of Long-Term Finance- Equity Shares, Preference Shares and Debentures
9-11	Understanding Investment Decisions (Capital Budgeting Decisions) – Meaning, Features, Types and Importance of Investment Decisions; Discounted Cash Flow (DCF) Expected: Discussing and Solving Numerical Examples
12-13	Non-discounted Cash Flow Techniques Expected: Discussing and Solving Numerical Examples
14-16	Cost of Capital – Significance, Concept of the Opportunity Cost of Capital, Weighted Average Cost of Capital (WACC), Component Costs of Capital - Cost of Debt, Preference Capital and Equity Capital Expected: Discussing and Solving Numerical Examples
17-18	Capital Asset Pricing Model (CAPM), Risk Diversification: Systematic and Unsystematic Risk, Risk-Return Trade-off
19-20	Leverage - Operating, Financial and Combined Leverage Expected: Discussing and Solving Numerical Examples
21-24	Understanding Financing Decisions (Capital Structure Decisions) - NI Approach, NOI Approach, Traditional Approach, MM Theory with and without Taxes Expected: Discussing and Solving Numerical Examples
25-28	Understanding Dividend Decision - Issues, Objectives and Determinants of Dividend Policy, Forms of Dividend, Dividend Theory- Dividend Relevance - Walter's Model and Gordon's Model, MM Theory of Dividend Irrelevance

29-31	Working Capital Management- Concepts of Working Capital, Operating Cycle, Determinants of Working Capital, Issues in Working Capital Management, Estimating Working Capital Needs. Working Capital Finance Policies
32-33	Inventory Management –Significance and Objectives, Costs associated with Inventory, Inventory Management Techniques (EOQ), ABC Inventory Control System Expected: Discussing and Solving Numerical Examples
34-35	Cash Management – Need, Cash Management Cycle, Cash Forecasting, Determining the Optimum Cash Balance under Certainty (Baumol’s Model) and Uncertainty (The Miller-Orr Model)
36	Receivable Management- Nature and Goals of Credit Policy, Optimum Credit Policy, Credit Policy Variables
