

K L UNIVERSITY
DEPARTMENT OF COMMERCE
B.Com (Honours) (Accounting & Finance)
III - SEMESTER

FINANCIAL MANAGEMENT

Unit – I: Introduction to Financial Management & Investments: (Hours : 5)

Financial Management: Meaning, need and importance, Objectives, Scope and Functions of Financial Management – Profit maximization, wealth maximization, implications of wealth maximization – Financial decisions – Basic considerations – Liquidity Vs. Profitability (Theory only).

Investments: Types of Investments and their features – Meaning and importance of a portfolio of investments - Security risk – Portfolio risk - Risk classification – Concept of Risk Vs. Return trade off in finance & investments – Choice of an investment (Theory only)

Unit – II: Time Value of Money and Capital Budgeting: (Hours : 12)

Time Value of Money: Valuation concept - Future value of a single cash flow – Multiple flows and annuity, Present value of single cash flow - Multiple flows and annuity (simple problems)

Capital Budgeting: Meaning, Need and significance of Capital Budgeting – Importance of Cash Inflows and Cash Outflows – Risk in Capital Budgeting – Simple Capital Budgeting Evaluation Techniques: Pay back period (Need, importance, and computation), ARR (Need, importance and computation), NPV(Need, importance and computation) and IRR (Need, importance and computation). (simple Problems).

Unit – III: Capital Structure and Cost of Capital: (Hours : 12)

Capital structure: Meaning, need and importance of Capital structure – Optimum capital structure-
Leverages: Financial leverage - Operating leverage – Combined leverage, EBITEPS Analysis (simple problems) - **Cost of Capital:** Meaning, need, importance of the concept and significance of Cost of Capital, specific cost of Capital for various sources of finance, cost of debt, cost of Preference Shares, cost of equity, Cost retained earnings. Weighted average cost of capital, Book value vs. market value weight. (simple problems)

Unit – IV: Working Capital Management: (Hours : 8)

An over view of Working Capital Management - Determinants of working Capital, Operating Cycle. Cash management, cash forecasting and budgeting, management of receivables, optimum credit policy, aspects of Credit policy - Credit terms and Credit Standards, Inventory management (simple problems of cash , receivables and inventory).

Unit – V: Dividend Decision: (Hours : 8)

Meaning, need and significance of dividends – Types of dividends – Dividend Policy of corporations - Factors Influencing divided Policy - Dividend theories: a) Walter’s model b) Gordan’s Model c) MM Hypothesis (Theory only).

Text Book

1. I.M. Pandey, Financial Management, Vikas Publication House, 2010, 10th Edition, New Delhi.
2. M.Y.Khan & P.K.Jain, Financial Management – Text, Problem and Cases, Tata Mc Graw Hills 2008, 5th Edition, New Delhi.

Reference Books:

1. James C Van Horne, Financial Management & Policy, Pearson Education, 2010, 12th Edition, New Delhi.
2. Brealey and Myers, Principles of Corporate Finance, McGraw Hill, 2007, 1st Edition, New Delhi.

3. Prasanna Chandra, Financial Management Theory and Practice, Tata McGraw Hills, 2004, 6th Edition, New Delhi.