

Course Code	Course Name	Credits
ILO 8022	Finance Management	03

**Objectives:**

1. Overview of Indian financial system, instruments and market
2. Basic concepts of value of money, returns and risks, corporate finance, working capital and its management
3. Knowledge about sources of finance, capital structure, dividend policy

**Outcomes:** Learner will be able to...

1. Understand Indian finance system and corporate finance
2. Take investment, finance as well as dividend decisions

Module	Detailed Contents	Hrs
01	<p><b>Overview of Indian Financial System:</b> Characteristics, Components and Functions of Financial System.</p> <p><b>Financial Instruments:</b> Meaning, Characteristics and Classification of Basic Financial Instruments — Equity Shares, Preference Shares, Bonds-Debentures, Certificates of Deposit, and Treasury Bills.</p> <p><b>Financial Markets:</b> Meaning, Characteristics and Classification of Financial Markets — Capital Market, Money Market and Foreign Currency Market</p> <p><b>Financial Institutions:</b> Meaning, Characteristics and Classification of Financial Institutions — Commercial Banks, Investment-Merchant Banks and Stock Exchanges</p>	06
02	<p><b>Concepts of Returns and Risks:</b> Measurement of Historical Returns and Expected Returns of a Single Security and a Two-security Portfolio; Measurement of Historical Risk and Expected Risk of a Single Security and a Two-security Portfolio.</p> <p><b>Time Value of Money:</b> Future Value of a Lump Sum, Ordinary Annuity, and Annuity Due; Present Value of a Lump Sum, Ordinary Annuity, and Annuity Due; Continuous Compounding and Continuous Discounting.</p>	06
03	<p><b>Overview of Corporate Finance:</b> Objectives of Corporate Finance; Functions of Corporate Finance—Investment Decision, Financing Decision, and Dividend Decision.</p> <p><b>Financial Ratio Analysis:</b> Overview of Financial Statements—Balance Sheet, Profit and Loss Account, and Cash Flow Statement; Purpose of Financial Ratio Analysis; Liquidity Ratios; Efficiency or Activity Ratios; Profitability Ratios; Capital Structure Ratios; Stock Market Ratios; Limitations of Ratio Analysis.</p>	09
04	<p><b>Capital Budgeting:</b> Meaning and Importance of Capital Budgeting; Inputs for Capital Budgeting Decisions; Investment Appraisal Criterion—Accounting Rate of Return, Payback Period, Discounted Payback Period, Net Present Value(NPV), Profitability Index, Internal Rate of Return (IRR), and Modified Internal Rate of Return (MIRR)</p> <p><b>Working Capital Management:</b> Concepts of Meaning Working Capital; Importance of Working Capital Management; Factors Affecting an Entity's Working Capital Needs; Estimation of Working Capital Requirements; Management of Inventories; Management of Receivables; and Management of Cash and Marketable Securities.</p>	10
05	<p><b>Sources of Finance:</b> Long Term Sources—Equity, Debt, and Hybrids; Mezzanine</p>	05

	Finance; Sources of Short Term Finance—Trade Credit, Bank Finance, Commercial Paper; Project Finance. <b>Capital Structure:</b> Factors Affecting an Entity's Capital Structure; Overview of Capital Structure Theories and Approaches— Net Income Approach, Net Operating Income Approach; Traditional Approach, and Modigliani-Miller Approach. Relation between Capital Structure and Corporate Value; Concept of Optimal Capital Structure	
<b>06</b>	<b>Dividend Policy:</b> Meaning and Importance of Dividend Policy; Factors Affecting an Entity's Dividend Decision; Overview of Dividend Policy Theories and Approaches— Gordon's Approach, Walter's Approach, and Modigliani-Miller Approach	<b>03</b>

### **Assessment:**

#### **Internal Assessment for 20 marks:**

##### **Consisting Two Compulsory Class Tests**

First test based on approximately 40% of contents and second test based on remaining contents (approximately 40% but excluding contents covered in Test I)

#### **End Semester Examination:**

Weightage of each module in end semester examination will be proportional to number of respective lecture hours mentioned in the curriculum.

1. Question paper will comprise of total **six questions, each carrying 20 marks**
2. **Question 1** will be **compulsory** and should **cover maximum contents of the curriculum**
3. **Remaining questions will be mixed in nature** (for example if Q.2 has part (a) from module 3 then part (b) will be from any module other than module 3)
4. Only **Four questions need to be solved.**

### **REFERENCES:**

1. Fundamentals of Financial Management, 13<sup>th</sup> Edition (2015) by Eugene F. Brigham and Joel F. Houston; Publisher: Cengage Publications, New Delhi.
2. Analysis for Financial Management, 10<sup>th</sup> Edition (2013) by Robert C. Higgins; Publishers: McGraw Hill Education, New Delhi.
3. Indian Financial System, 9<sup>th</sup> Edition (2015) by M. Y. Khan; Publisher: McGraw Hill Education, New Delhi.
4. Financial Management, 11<sup>th</sup> Edition (2015) by I. M. Pandey; Publisher: S. Chand (G/L) & Company Limited, New Delhi.