

Paper BC 5.2: (a): Financial Decision Making: Concepts And Procedures
Duration: 2.5 hrs Total Marks: 60(Term end examination 56 (Marks for Attendance 4)
Lectures: 65

Objective: *To familiarize the students with the principles and practices of financial management.*

Unit 1: Investment Decision

Nature, scope and objective of Financial Management, Time value of money, The Capital Budgeting Process, Cash flow Estimation, Payback Period Method, Accounting Rate of Return, Net Present Value (NPV), Net Terminal Value, Internal Rate of Return (IRR), Profitability Index, Capital budgeting under Risk – Certainty Equivalent Approach and Risk- Adjusted Discount Rate

Unit 2: Financing Decision

Cost of Capital and Financing Decision: Sources of long-term financing Estimation of components of cost of capital. Methods for Calculating cost of equity capital, Cost of Retained Earnings, Cost of Debt and Cost of Preference Capital, Weighted Average cost of capital (WACC) and Marginal cost of capital. Capital structure –Theories of Capital Structure (Net Income, Net Operating Income, MM Hypothesis, Traditional Approach). Operating and financial leverage. Determinants of capital structure.

Unit 3: Dividend Decisions

Theories for Relevance and irrelevance of dividend decision for corporate valuation; Cash and stock dividends; Dividend policies in practice

Unit 4: Working Capital Decisions

Concepts of working capital, the risk-return trade off, sources of short-term finance, working capital estimation, cash management, receivables management, inventory management and payables management.

Unit V and Unit IV (For Internal Assessment)

Tutorials

Analysis of case studies based on syllabi of Unit I to Unit IV/ Assignments based on field survey/subject tours wherever feasible/Quiz programmes/moot courts wherever feasible/class presentations/class room seminars/Group discussions

Suggested Readings

1. James C. Van Horne and Sanjay Dhamija, *Financial Management and Policy*, Pearson Education
2. Pandey, I.M. *Financial Management*. Vikas Publications.
3. Levy H. and M. Sarnat . *Principles of Financial Management*. Pearson Education
4. Joy, O.M. *Introduction to Financial Management*. Mc Graw Hill Education.
5. Brigham and Houston, *Fundamentals of Financial Management*, Cengage Learning
6. Khan and Jain. *Basic Financial Management*, McGraw Hill Education
7. Chandra, P. *Fundamentals of Financial Management*. McGraw Hill Education
8. Singh, J.K. *Financial Management- text and Problems*. 2nd Ed. Dhanpat Rai and Company, Delhi.
9. Rustagi, R.P. *Fundamentals of Financial Management*. Taxmann Publication Pvt. Ltd.
10. Singh, Surender and Kaur, Rajeev. *Fundamentals of Financial Management*. Mayur Paperback, New Delhi.