

Course Plan

Date & Time	Session No.	Name of the Unit	Topic	Assessment
30-05-2018 09.00AM -05:00 PM	1	An Introduction to Financial Management & Planning	Forms of Business Orgninsation	
			Financial Decissions in a Firm	
			Finance Functions	
			The fundamental principle of Finance	
			Financial System - Functions	
			Growth & Trends in the Indian Financial System	
			Financial Staments & Ratio Analysis	
31-05-2018 09.00AM -05:00 PM	2	Time Value of Money	Power of Compounding	Quiz-1
			Power of Discounting	
			Annuity	
			Perpetuity	
07-06-2018 09:00AM -05:00 PM	3	Valuation of Bonds & Stocks	Valuation of Bonds	Assignment_1 announcement
			Valuation of Stocks	
08-06-2018 09.00AM -05:00 PM	4	Leverage	Operating Leverage	
			Financial Leverage	
			Combined Leverage	
14-06-2018 09.00AM -05:00 PM	5	Cost of Capital	Concept of Average Cost of Capital	Quiz-2; Assignment_2 announcement
			Cost of Optimum Capital Structure	
			Cost of different sources of finance	
18-06-2018 09.00AM -05:00 PM	6	Capital Structture	Factors affecting Cost of Capital	
			Theories of Capital Structure	
19-06-2018 09.00AM -05:00 PM	7		Importance of Capital Budgeting	
			Capital Budgeting Process	
			Techniques of Capital Budgeting	
20-06-2018 09.00AM -05:00 PM	8	Capital Budgeting	Importance of Capital Rationing and its Process	Assignment_3 announcement
			Types and sources of risks in Capital	
25-06-2018 09.00AM -05:00 PM	9		Techniques used in Capital Budgeting Decision	
			CAPM Model	
26-06-2018 09.00AM -05:00 PM	10	Working Capital Manaement	Itroduction to Working Capital	
			Operating Cycle; Determinants of Working Capital	
			Estimation of Working Capital; Cash Management	
27-06-2018 09.00AM -05:00 PM	11		Inventory Management	Quiz-3
			Receivables Management	

Unit 1

Introduction to Financial Management and Financial Planning

Learning Objectives

- ▶ Discuss the different forms of business organisation
- ▶ Understanding different approaches of finance management
- ▶ Discuss the different functions of finance
- ▶ Understanding the relationship between finance and other functions of business organisation.
- ▶ State the fundamental principles of finance
- ▶ Explain the steps in financial planning
- ▶ Describe the role of financial manager in India

Forms of Business Organisation

Discussion

Sole Proprietorship

Requirements for Organization	None
Legal Status	Owner is the business
Liability	Unlimited Liability
Management	Owner decides
Dissolution	Owner decides/death
Ease of formation	Just do it
Duration	Death or disinterest



Partnership

Requirements for Organization	Agreement of Parties
Legal Status	Owners not a separate entity
Liability	Unlimited Liability
Management	Owner have equal say
Dissolution	Owners decides/death/withdrawal/Bankruptcy
Ease of formation	Moderately Hard
Duration	Withdrawal/Bankruptcy



- **Corporation:** A business created as a formal legal entity, separate and distinct from its owners.

Advantages

Public ownership
Limited liability
Ease of transferring ownership
Unlimited life of business
Ease in raising cash/equity

Disadvantages

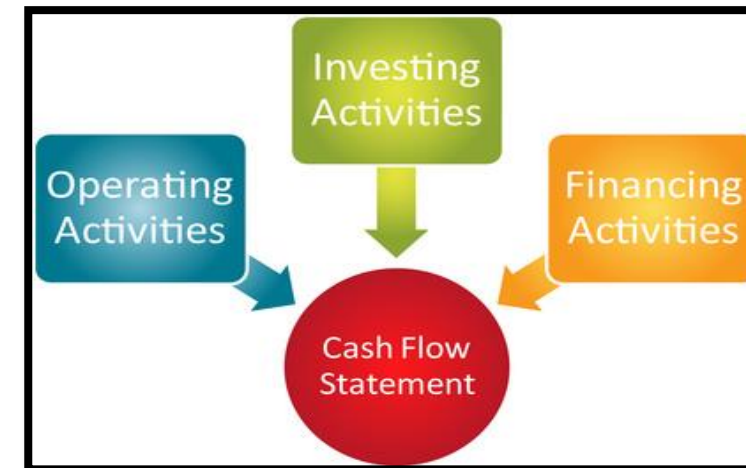
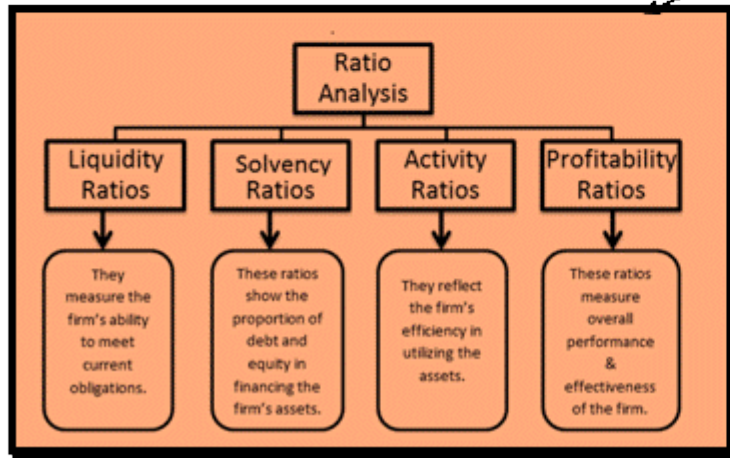
Strict regulation
Can be difficult/expensive to form
Income subject to double-taxation



Approaches to Learn the Finance Management

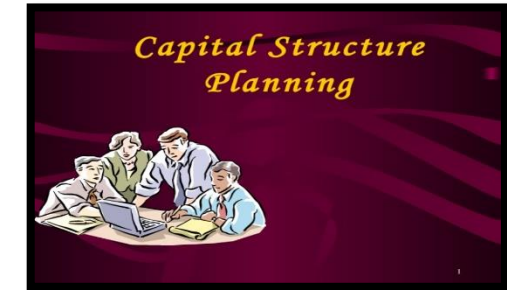
- ▶ Understanding of the Finance
- ▶ Managing the Finance

Understanding the Finance

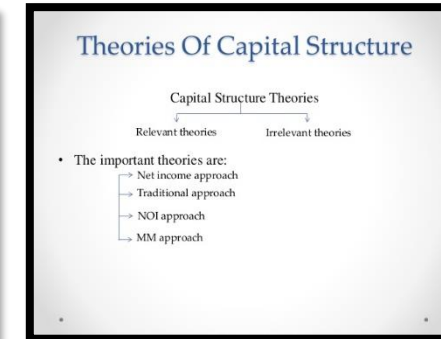


Managing the Finance

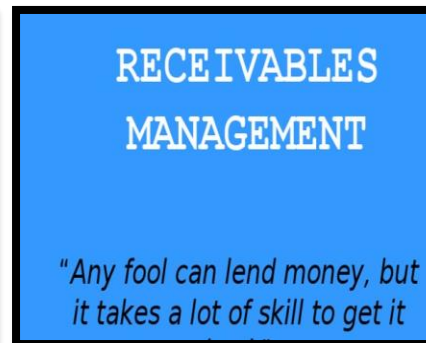
Block-1 Leverage & CSP

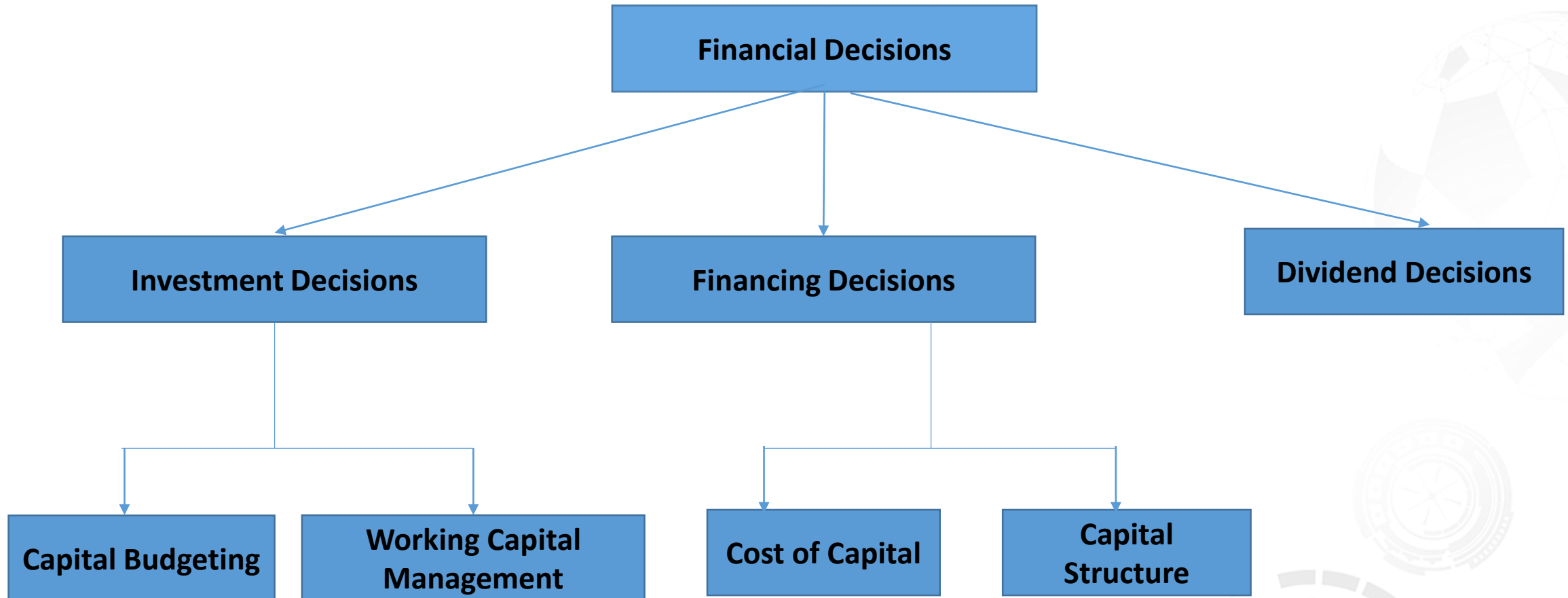


Block -2 Time Value of Money Related



Block -3 Working Capital Management





Functions of Finance

Procurement of Funds

(i.e. Sources of Funds)
Objective: To Minimize Costs

Utilization of Funds

(i.e. Application of Funds)
Objective: To Maximize Returns

Long Term
Sources

Short Term
Sources

Short Term
Investments

Long Term
Investments

Own Funds

e.g. Equity

Loan Funds

e.g. Debt

Current Liabilities

e.g. Creditors, Payables, etc

Current Assets

e.g. Stock, Debtors, Cash

Fixed Assets
and Projects

Capital Structure Decisions /
Financing Decisions

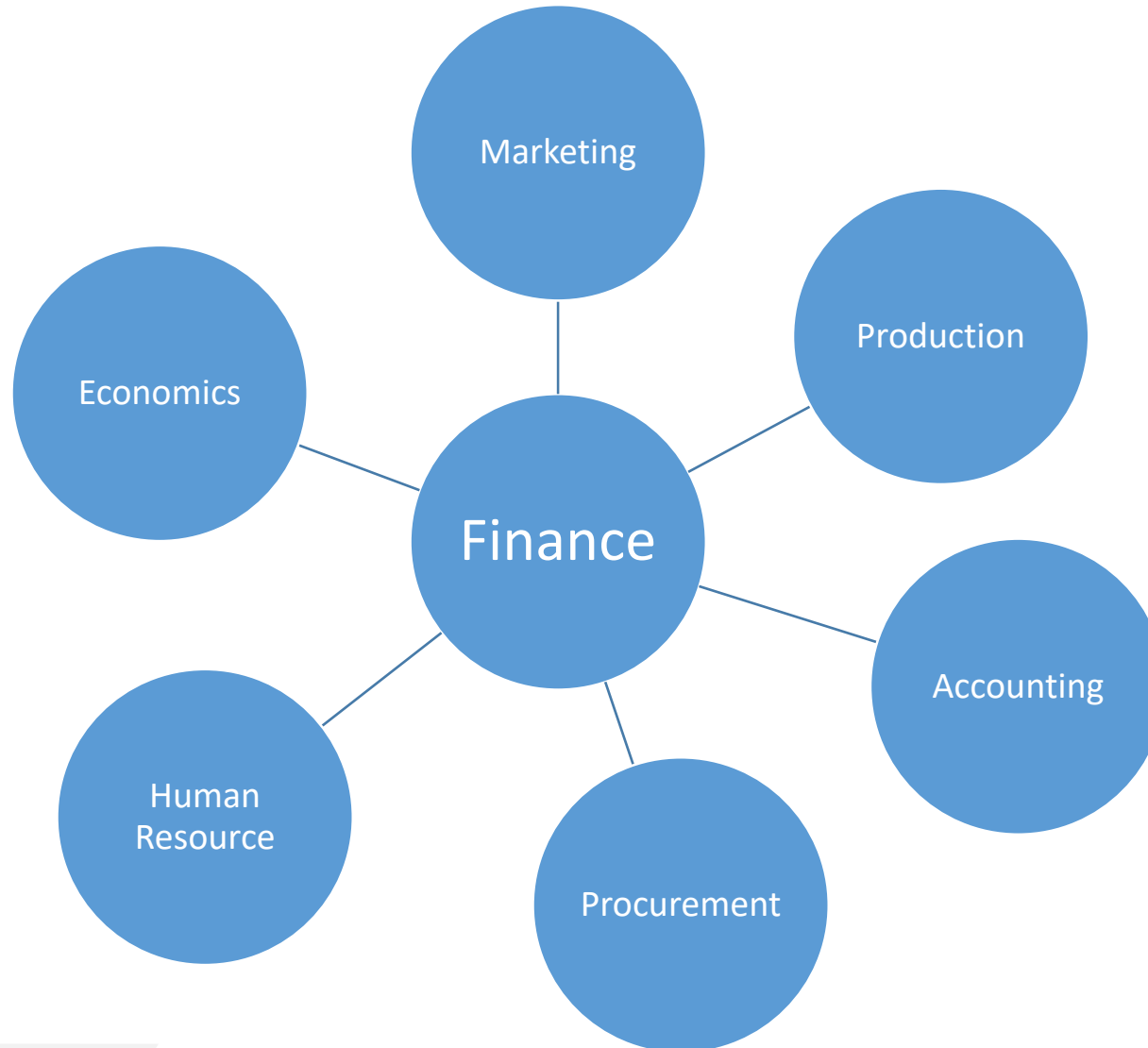
Working Capital Management Decisions

Investment Decisions /
Capital Budgeting

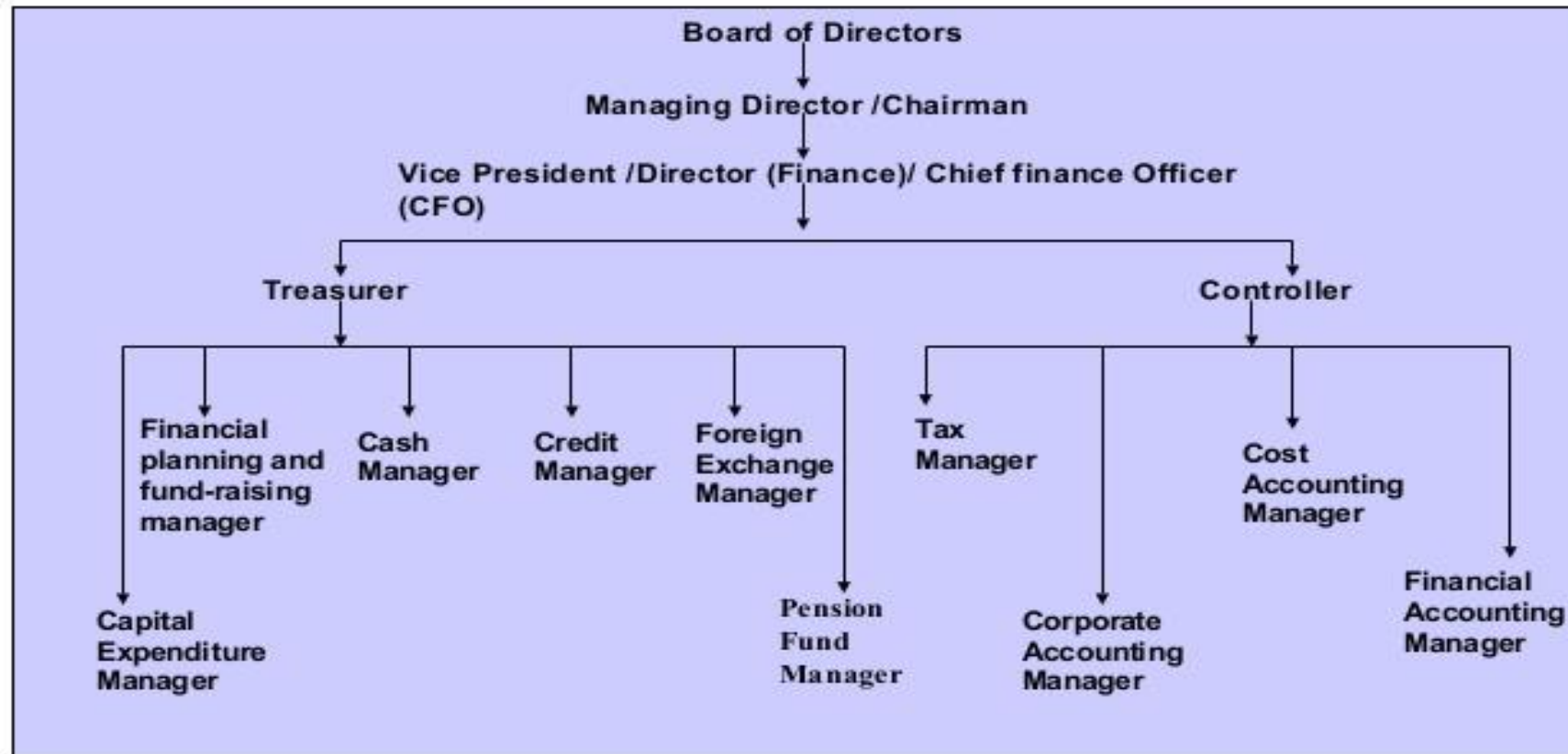


Source: <https://efinancemanagement.com/financial-management/functions-of-financial-management>

Interface between Finance and other functions



ORGANISATION OF FINANCE FUNCTION



Source: https://www.slideshare.net/anurag_toby/objectives-of-financial-management-26656656

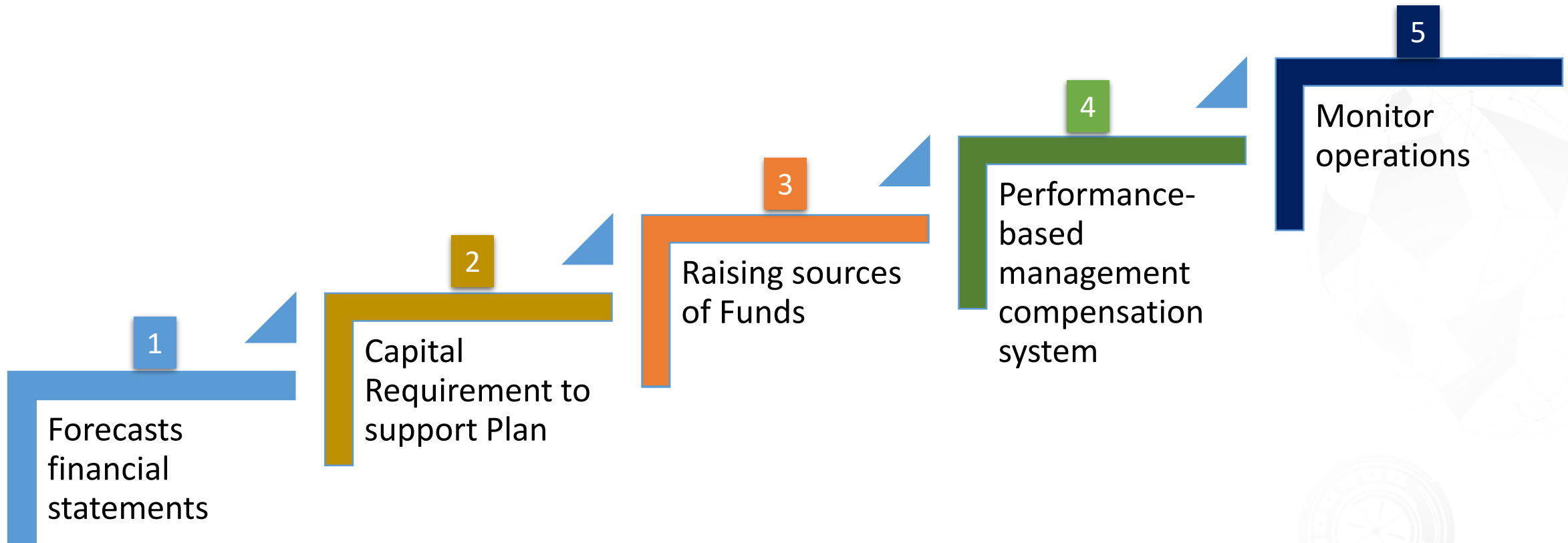
Financial Goals



Profit
Maximization

Wealth
Maximization

STEPS IN FINANCIAL PLANNING



Financial Statement Analysis



**Typical Business, Inc.
Income Statement
For Year Ended December 31, 2009**

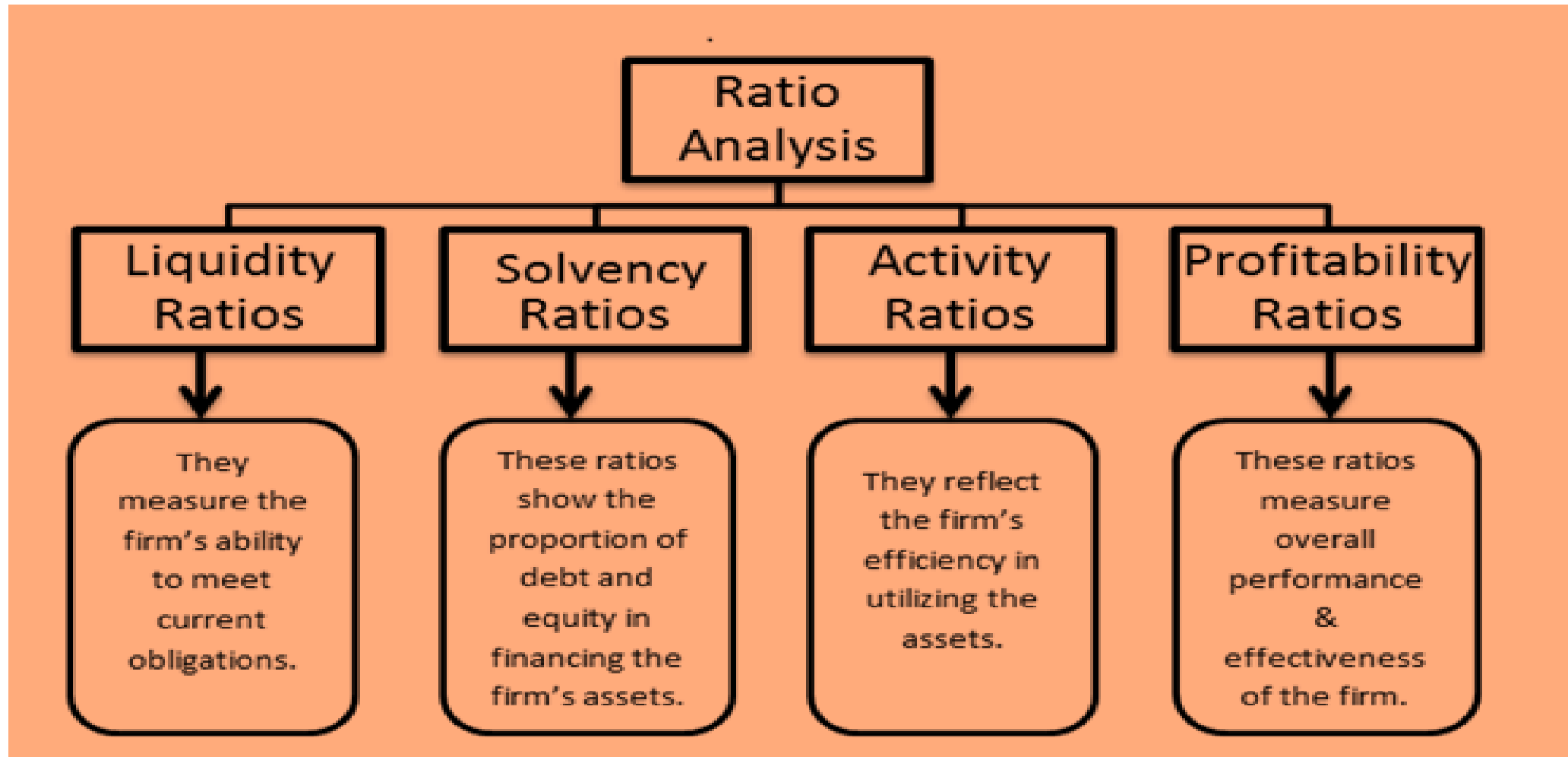
Sales revenue	\$26,000,000
Cost of goods sold expense	<u>\$14,300,000</u>
Gross margin	\$11,700,000
Selling, general, and administrative expenses	<u>\$8,700,000</u>
Operating earnings	\$3,000,000
Interest expense	<u>\$400,000</u>
Earnings before income tax	\$2,600,000
Income tax expense	<u>\$910,000</u>
Net income	<u><u>\$1,690,000</u></u>

BALANCE SHEET

LIABILITIES	Amount	ASSETS	Amount
Capital	XX	Fixed Assets-Land, Bldg,	XX
Loan taken	XX	Current Assets	
Current Liabilities		•Cash / Bank B/s	XX
•Outstanding Expenses	XX	•Accounts Receivable (Debtors)	XX
•Bank Overdraft	XX	•Bills Receivable)	XX
•Accounts Payable (Creditors)	XX	•Inventories (Stock)	XX
	XYZ		XYZ

Horizontal Form of Balance Sheet





Source: <http://www.proschoolonline.com/blog/using-financial-analysis-ratios-determining-company-strength/>



THANK YOU

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