Financial Management

"**Business Finance"** : Money or funds available for a business for its operations (that is, for some specific purpose) is called Business Finance. It is indispensable for survival and growth of business, for production and distribution of goods and meeting day to day expenses etc. It involves acquiring funds to buy fixed assets (tangible and intangible) and raw materials and maintain working capital.

Financial Management:

Financial management is concerned with optimum procurement as well as usage of funds. For optimum procurement, different sources of finance are compared in terms of cost and associated risk. Similarly the finance so procured needs to be invested in such a manner that return from the investment exceeds the cost of procuring the funds.

Thus Financial Management aims at:

i. Reduce cost of funds procured
ii. Keep risks under control
iii. Achieve effective employment of funds
iv. Ensure availability of sufficient funds while avoiding idle funds.

Role of Financial Management:

FM has a direct bearing on the financial health of a company.

	Examples of areas affected	**Explanations**
1	**Size and composition of fixed assets**	Depend directly upon investment decision .i.e. how much capital the company is planning to invest.
2	**Quantum of current assets and their break-up into cash, inventories and receivables**	Increase in fixed assets will lead to a commensurate increase in working capital requirements. Also it depend on credit policy, inventory management etc.

3	**Amount of long and short term financing to be used**	Proportion of both long term and short term sources is determined on the basis of liquidity and cost analysis. Long term sources give more liquidity but also involve a higher cost also as compared to current assets.
4	**Break up of long term financing**	Into debt and equity Part of financing decision
5	**All items in P&L a/c**	Higher debt means higher interest expenses Also higher equity means higher dividend expenses Expansion of business leads to higher overall expenses.

Good financial management aims at mobilization of financial resources at lower cost and deployment of these funds in most lucrative activities.

Financial management is concerned with decisions with respect to:

- long and short term capital requirements
- procurement of funds
- flow of funds in the day-to-day activities
- Distribution of earnings to owners

OBJECTIVES OF FINANCIAL MANAGEMENT:

Primary objective: To maximize wealth of owners in the long run –Wealth Maximization concept.“Owners“ of a company are the shareholders.

The term wealth refers to wealth of owners as reflected by the market price of their shares.

The market price of shares is linked to three basic financial decisions:

- Investment decision
- Financing decision and

- Dividend decision

Market price of a share will increase if benefits from a decision are greater than the cost involved in it. All financial decisions aim at ensuring that each decision is efficient and adds some value. Such value addition tends to increase the market price of shares.

The goal of a firm should be to maximize the wealth of owners in the long run. Increase in the market price of shares is an indicator of the financial health of a firm.

Other objectives: that help a firm achieve the primary objective are:

- Ensure availability of funds at reasonable costs:
- Ensure effective utilization of funds:
- Ensure safety of funds through creation of reserves:
- Maintain liquidity and solvency:

FINANCIAL DECISION:

Financial management is concerned with the solution to three major issues relating to the financial operations of a concern.

There are three decisions that a financial manager has to take are:

I Investment Decision

II Financing Decision and

III Dividend Decision

I INVESTMENT DECISION:

Resources are scarce and can be put to alternate use. A firm must choose where to invest so as to earn the highest possible profits.Investment decision relates to decisions about how the firm‘s funds are invested in different assets that is, different investment proposals

Has two components:

- Working Capital Decisions - Short Term investment decisions.
- Capital Budgeting decisions – Long Term investment decisions.

1. **Working Capital Decisions**:	2. **Capital Budgeting Decisions**:
1. Helps to maintain earning capacity. 2. Concerned with decisions with respect to level of cash, inventories and debtors. 3. Affect day to day working of a business. 4. Influence liquidity as well as profitability. 5. Essential ingredients of sound working capital management are: o Efficient cash management o Inventory management o Receivables management	1. Leads to an increase in earning capacity of a concern. 2. Important because: a. Size and competitiveness of a business is affected by this decision. b. Involves huge costs c. Irreversible except at a huge cost. Examples : investing in new assets, setting up of new business, expansion or modernization of business etc.

Factors Affecting Capital Budgeting Decisions:

1. **Cash Flows**
2. **Rate of Returns**
3. **Investment Criteria**

1. **Cash Flows:**

Investment decisions are taken so as to earn returns for the firm.

Series of cash receipts and payments over the life of an investment have to be carefully analyzed before taking a capital budgeting decision. E.g. The investment proposal expected to bring a reasonable amount of cash but after a long term may be rejected.

2. **Rate of Returns:**

Expected rate of returns from each proposal should be compared with the risks associated with the projects before taking an investment decision.E.g If there are two investment proposals A and B with a rate of return of 10% and 12%, then project B should be selected. Only the rate of return cannot be the sole criterion. Some investment proposals bring higher rate of return but at the same time involve huge risks.

The finance manager should select the proposal with moderate risks which the company can afford. Huge risks may lead to insolvency.

3. **Investment Criteria:**

There are various Capital Budgeting techniques available to a business that can be used to evaluate the various investment proposals.

These are based on calculations with respect to amount of investment, interest rates, cash flows and rate of returns associated with proposals.

These techniques are applied to the investment proposals to choose the best proposal.

II FINANCING DECISION

These are decision are concerned with the quantum of finance or composition of funds from various long- term sources i.e. shareholders funds or borrowed funds.

Financing decisions involve:

a. Decision whether or not to use a combination of ownership and borrowed funds.

b. Determining their precise ratio.

Firm needs a judicious mix of debt and equity as :

Debt involves 'Financial Risk' - risk of default on payment of interest on borrowed funds and the repayment of the principal amount whereas **Shareholders Funds** involve no fixed commitment with respect to payment of returns or repayment of capital.

Ownership fund vs. Debt fund: They can be compared on the basis of factors such as interest/dividend payout and repayment of principal, tax deductibility, risk and floatation costs.

Factors affecting Financing Decisions:

1. **Cost**:

Cost of debt refers to interest paid and cost of equity refers to dividends paid to shareholders .Debt is cheaper as interest paid is tax deductible and the company should opt for the cheapest source.

2. **Risk**:

The risk associated with different sources should be assessed.Debt is cheaper but has a higher financial risk because it is compulsory to pay interest on debt repay the principal amount on maturity. Any default will lead to liquidity. No such compulsion for equity. Debt has a higher risk so equity should be preferred.

3. **Floatation costs:**

   Cost of raising funds is called the floatation cost. Floatation cost of debt is lower than the floatation cost of equity.Higher the floatation cost, less attractive the source.

4. **Cash flow position of the business:**

   Strong cash flow position makes debt more attractive as the firm will be able to eet the fixed costs associated with debt.

5. **Level of fixed operating costs:**

   If a business already has high fixed operating costs(e.g. rent, salaries etc),it must opt for a source with lesser fixed financial costs i.e. Not to choose debt..

6. **Control:**

   Issue of equity dilutes control whereas debt carries no control rights. So if the company wants to avoid takeover bids, they will issue debt.

7. **State of capital markets:**

   During the boom period, issues of equity will find takers but during the depression, firms will have to use debt.

III DIVIDEND DECISION

Dividend is that portion of divisible profits that is distributed to the owners i.e. the shareholders. It results in current income for the shareholders.

Retained earnings is the proportion of profits kept in, that is, reinvested in the business.

Dividend decision relates to how much of after tax profits to be distributed to shareholders as dividends and how much of it should be retained in the business for meeting investment requirements.

Dividend decision to be taken with the objective of maximizing the shareholders wealth.

Factors affecting Dividend Decision:

a) **Earnings**:

   Dividends can only be paid out of current earnings or accumulated profits. If a firm has earnings-can have a higher payout ratio.

b) **Stability of earnings:**

   If earnings are stable – high payout ratio i.e. greater portion of the earnings can be given as dividends.

c) **Stability of dividends**:

Policy of stabilizing dividend per share and not altering it if increase in earnings are temporary of a small amount.

Dividend per share is not altered if change in earnings is temporary.

d) **Growth opportunities:**

If a firm has projects to invest in, have a low payout.

Dividend paid in growth companies is lesser than that in the non-growth companies.

e) **Cash Flow Position:**

If firm does not have cash, dividends cannot be declared (e.g. if most of its sales are on credit and as a result liquidity position is not comfortable)

f) **Shareholder's preference:**

If the majority of shareholders prefer current dividends, have a high payout.But if most shareholders want the company to grow by reinvesting its earnings and give them a capital gain in terms of an increase in the market price of shares, have a low payout ratio.

g) **Taxation policy:**

Dividends are free of tax in the hands of shareholders so they prefer higher dividends but a dividend distribution tax is levied on companies so if tax rate is higher it is better for the company to pay less dividend and declare more dividends when the tax rate is less.

h) **Stock market reaction:**

Declaration of dividends has a positive impact on the goodwill of the company in the market hence market price of shares increases and a decrease in dividend reduces the market price of shares.

i) **Access to capital markets:**

Large and reputed companies have easy access to capital markets therefore depend less on retained earnings for their growth so they can declare more amount of dividend when compared to smaller companies which have relatively low access.

j) **Legal constraints:**

Provisions of the Companies Act that place restrictions of dividends have to be adhered to.

k) **Contractual Constraints: A lender may impose restrictions on dividend** pay out when it grants a loan to the borrowing company. The same must adhered to.

FINANCIAL PLANNING

Financial planning involves preparation of a financial blueprint of an organization. It is the process of estimating the fund requirement of a business and determining the possible sources from which it can be raised.

Twin Objectives of Financial Planning:

1. **To ensure availability of funds whenever they are required**

   Includes estimation of the funds required for different purposes (long term assets/working capital requirement)

   Estimate the time at which these funds need to be made available.

   Specify sources of these funds.

2. **To see that the firm does not raise resources unnecessarily**

   A concern should never face-

   Shortage of funds => where firm cannot meet its payment obligations.

   Surplus funds => do not earn returns but add to costs.

Time Horizon of Financial Planning:

Financial Planning is typically done for 3-5 years-broad in scope and generally include long term investment, growth and financing decisions.It focusses on capital expenditure programmes and determining the debt-equity mix.

It may also be undertaken for **a short term** known as a **Budget** which is for a year, stating of expected revenues and expenses related to a specific operation for a specified period.

Process of Financial Planning

1. Preparation of sales forecast.
2. Determine the requirements of funds – fixed and working capital.
3. Estimate the expected profits to determine the amount of funds that can be provided internally.

4. This helps us to estimate the requirement for funds from external sources.
5. Identify the possible sources and prepare the cash budgets incorporating these factors.

Importance of Financial Planning:

1. **Makes the firm better prepared for the future:**

   Financial Planning tries to forecast what may happen in the future and prepares alternative plans to meet different eventualities. Also, if the company has some expansion programmes for the future, Financial Planning would help to identify the sources from which funds can be raised to finance such programmes.

2. **Helps in avoiding business shocks and surprises:**

   By preparing plans to meet eventualities in advance, Financial Planning aims at studying various factors that have an impact on the business and helps in predicting the probability of their occurrence. Thus, Financial Planning helps to avoid shocks and surprises by predicting them in advance and developing plans to meet them.

3. **Coordinating different functions:**

   Financial Planning helps to coordinate the activities of the financial departments and other departments. The overall financial plan lays down objectives, policies, procedures etc. to ensure coordination between different functional areas of the business.

4. **Reduces waste, duplication of effort and gaps in planning:**

   Financial Planning decides the amount of capital to be raised, the form and proportion of various types of securities to be included in the capital structure and how these funds can be utilized. It, therefore, helps to avoid confusion and waste in terms of loss of time, goodwill and financial resources.

5. **Links the present with the future:**

   Financial Planning helps to estimate future requirements and prepares plans in the present to balance requirements of funds with availability of funds.

6. **<u>Provides a link between the investment and the financing decisions:</u>**

   Investment decision involves selection of the best investment proposal from the available alternatives. Financing decision is about selecting the source of finance for the required proposal.

   Financial planning links both by identifying the requirement of long and short term funds required for the selected proposal and searching for alternative sources of funds.

7. **<u>Makes evaluation of performance easier:</u>**

   Financial Plans or Budgets are the basis of financial control. They set standards against which actual performance is compared. The deviations that are identified t can be corrected and necessary steps can be taken to prevent their re-occurrence. Besides, segment-wise business performance facilitates evaluation.

<u>CAPITAL STRUCTURE</u>

On the basis of ownership, the sources of finance can be broadly classified into two - **Owners funds and Borrowed funds.**

Owners funds consists of equity share capital, preference share capital , reserves and surpluses, retained earnings referred as <u>EQUITY</u>

Borrowed funds consist of loans, debentures,and public deposits referred to as <u>DEBT.</u>

Capital Structure refers to the mix between owners and borrowed funds.

<u>Cost and risk- Debt Vs Equity:</u>

Cost of Debt is lower than the cost of equity but Debt is more risky than equity. Cost of debt is lesser than cost of equity as lenders risk is less than owners risk. Lender earns an assured interest and repayment of capital. Interest on debt is a tax deductible expense so brings down the tax liability for a business whereas dividends are paid out of profit after tax. Debt is more risky for the business as it adds to the financial risk faced by a business.

Financial risk refers to the chance that accompany will fail to meet its

financial obligations. Any default with respect to payment of interest or repayment of principal amount may lead to liquidation.

Capital structure affects both the profitability and the financial risk faced by a business.

Optimal Capital Structure is that combination of debt and equity that <u>maximizes</u> <u>the market value</u> of shares of the company

<u>Financial Leverage</u>:

Financial leverage is the proportion of debt in the overall capital structure.

It is computed as **<u>Debt</u> ORas a proportion of debt in the total Equity capital structure i.e.** $\frac{\textbf{Debt}}{\textbf{Debt+ Equity}}$

With higher use of debt, cost of funds decline as debt is a cheaper source of funds. The difference between ROI and cost of debt increases the EPS. The situation is referred to as a **favorable financial leverage**.

The reasons for higher EPS with debt are:

i. Rate of return on investment is more than the cost of debt.
ii. Interest paid on debt is tax deductible and so there is a saving on the amount of income tax that the company will be required to pay.
iii. Number of shares is lesser when funds are raised as debt and so divisible profits (EAT) will have to be distributed among a lesser number of shares.

Trading on Equity refers to the profit earned by equity shareholders due to the presence of fixed financial charges like interest.

Use of Financial Leverage, however, involves a risk to equity holders because even a small change in EBIT will cause a great change in EPS and return on Equity.

Thus, the benefits of Trading on Equity are available only when the following conditions are satisfied:

i. Rate of earning is higher than the rate of interest on debt.
ii. The company's earnings are stable and are regular to pay at least the interest on debentures.
iii. There are sufficient fixed assets to offer as security to lenders.

If the company's ROI is less than the rate of interest on debt, Earnings per share (EPS) will decline due to the presence of debt component in the capital employed. This is called **unfavorable financial leverage.**

Factors affecting capital structure

1. **Cash flow position:**

   The size of the projected cash flows must be considered before deciding the capital structure of the firm. If there is sufficient cash flow, debt can be used. It must cover fixed payment obligations:

   i. Normal business operations ii Investment in fixed assets

   iii. Meeting debt service commitments as well as provide a sufficient buffer.

2. **Interest coverage ratio :**

It refers to the number of times of earnings before interest, and taxes of a company cover over the interest obligation.

$$\mathbf{ICR} = \frac{\mathbf{EBIT}}{\mathbf{Interest}}$$

Higher the ratio, lower is the risk of the company failing to pay interest on debt. However higher earnings and lower cash balance will not enable a company to meet its financial obligations.

3. **Debt Service Coverage Ratio**:

   Debt service coverage ratio =

   $$\frac{\textbf{Profit after tax + Depreciation + Interest + Non Cash exp.}}{\textbf{Pref. Div + Interest + Repayment obligation}}$$

   In Debt service coverage ratio, the cash profits generated by the operations are compared with the total cash required for the service of debt and the preference share capital. Higher the ratio better will the ability of the firm to increase debt component in the capital structure.

   Low Debt service coverage ratio is an indicator that debt should not be used.

4. **Return On Investment**

   If return on investment of the company is higher, the company can choose to use trading on equity to increase its EPS i.e. its ability to use debt is greater.

5. **Cost of Debt**

   More debt can be used if the cost of debt is low.

6. **Tax Rate**

A higher tax rate makes debt relatively cheaper and increases attraction as compared to equity.

7. **Cost of Equity**

When the company uses more debt, the financial risk faced by equity holders increase so their desired rate of return increases. If debt is used beyond a point, cost of equity may go up sharply and share price may decrease in spite of increased EPS.

8. **Floatation Cost**

Cost of Public issue is more than the floatation cost of taking a loan. The floatation cost may affect the choice between debt and equity and hence the capital structure.

9. **Risk Consideration:**

The total risk of business depends upon both the business risk and financial risk. Business risk depends on fixed operating costs namely building rent, interest, salary etc. Financial risk refers to a company unable to meet its financial commitments. If firm‘s business risk is lower, its capacity to use debt is higher and vice versa.

10. **Flexibility:**

If the firm uses its debt potential, it loses the flexibility to use more debt. To maintain flexibility the company must maintain some borrowing power to take care of unforeseen circumstances.

11. **Control:**

Debt normally does not cause dilution of control whereas a public issue may reduce the management's holding and pose a threat of takeovers. So

12. **Regulatory Framework:**

Public issue of shares and debentures has to be made under SEBI guidelines. Raising funds from banks and other financial institutions require fulfillment of other norms.It is relatively easier to get a loan as compared to issuing shares to the public.

13. **Stock Market Conditions:**

If the stock markets are bullish, equity shares are more easily sold even at a higher price. However, during a bearish phase, a company, may find raising of equity capital is more difficult and it may opt for debt.

14. **Capital Structure of other companies:**

There are usually some industry norms which may help. Care however must be taken that the company does not follow the industry norms blindly.

FIXED CAPITAL

Fixed capital means the portion of capital investment in the long term assets or fixed assets of a business namely land and building ,plant & machinery, furniture & fixtures etc.

MANAGEMENT OF FIXED CAPITAL

Fixed capital decisions are also called **Investment** or **Capital Budgeting decisions** and involves allocation of firm's capital to different projects or assets with long term implications for the business.

Features of Fixed Capital

- Permanently invested in business
- Generate income and not meant for resale.
- Affects growth prospects, profitability and risk of the business in the long run.
- Involve large investments
- Financed through long-term sources of finance
- Irrevocable except at huge losses.

Examples of Capital Budgeting decisions are expenditures on:

- Acquisition, expansion, modernization and replacement of assets.
- Launching a new product line
- Advertising expenditure,R&D program having long-term implications.

Importance of Capital Budgeting Decisions:

1. Long term growth and effects: affects future prospects of the business.
2. Large amount of funds involved: procurement & cost
3. Risk involved : overall business risk

4. Irreversible: Not reversible without incurring huge losses.

Factors affecting Fixed Capital Requirement

1. **Nature of business:** Manufacturing concerns need more investment In fixed assets as it needs to purchase plant and machinery than trading concerns which do not require plant & machinery.
2. **Scale of operations:** Companies functioning on a large scale require more fixed capital than small scale companies because large-scale companies purchase more machinery and plants for their operations and require more space.
3. **Technique of production:** When a company adopts capital intensive technology, it relies less on manual work and the requirement of fixed capital is more. On the other hand, a company based on labour-intensive technology will require less fixed capital as it makes less investments in fixed assets.
4. **Technology up gradation:** When industrial upgradation takes place in the fast phase, the company requires more fixed capital for replacing old machinery with new machinery to upgrade technology.While upgradation is slow, the fixed capital requirement will be less.
5. **Growth prospects:** Companies expanding their activities to attain higher growth will require more fixed capital than companies having no such activities.
6. **Diversification:** Companies diversifying their range of production activities will require more fixed capital to produce goods.
7. **Availability of finance and leasing facility:** When companies provide leasing facilities, they can avoid purchase of fixed assets. This leads to reduction in fixed capital requirements.
8. **Level of collaboration:** Companies which prefer collaborations will require less fixed capital as they can share available machinery with their collaborators.

WORKING CAPITAL

Working capital means the portion of capital investment in short term assets or current assets of a firm .Working Capital refers to short term finance (invested in a business for a short period usually up to one year)

It is required to meet day to day operating expenses.

Current assets

- Get converted to cash or cash equivalents quickly and without a significant loss in their value. They help a firm meet its payment obligations.
- These assets however provide no or very less returns.
- Examples are cash in hand/cash at bank, marketable securities, bills receivable, debtors, finished goods inventory, Work in progress, Raw materials, Prepaid expenses etc.

Current liabilities

- due for payment within a year.
- Examples are bills payable, creditors, o/s expenses, advances from customers.

Current assets are financed through short term sources (i.e. current Liabilities). The rest is financed through long term sources .

Net Working Capital refers to excess of current assets over current liabilities.

Net Working Capital = Current Assets – Current Liabilities

Factors affecting the requirement of working capital

1) **Type of business:** The nature of business is one of the important determinants of working capital requirement.

   For instance, trading organisations have shorter operating cycles, i.e. no processing is done in such organisations. Accordingly, they require low working capital.

   As against this, an organisation dealing in manufacturing would require large working capital. This is because it involves a large operating cycle, i.e. the raw materials first need to be transformed to finished goods before they are offered for sale.

2) **Scale of operations:**

   Firms which operate on a larger scale require greater working capital than those which operate on a lower scale. This is because firms with greater scale of operations are required to maintain high stock of inventory and debtors. As against this, a business with smaller scale of operation requires less working capital.

3) **Fluctuations in business cycle:** In various phases of the business cycle, the requirement of working capital is different. For instance, in the phase of boom, both production and sales are higher. Accordingly, the requirement of working capital is also high.

   As against this, in the phase of depression, the demand is low, and so production and sale are low. Accordingly, there is less requirement of working capital.

4) **Production cycle:** Production cycle refers to the time gap between receiving goods and their processing into final goods. Longer the production cycle for a firm, larger are the requirements working capital and vice versa. This is because a longer production cycle would imply greater inventories and other related expenses,so greater requirement of working capital.

5) **Growth prospects:** Higher growth prospects imply higher production, sales and inputs. Accordingly, higher growth prospects for a company imply greater requirement of working capital.

6) **Seasonal factors:** Companies require a huge amount of working capital because of the high level of activity in the peak season, whereas during the lean season they require less as the activities reduce.

7) **Credit allowed:** Credit policy refers to the average period for collection of sale proceeds. This depends on credit worthiness of clients. So, a company which allows liberal credit policy will require more working capital.

8) **Credit availed:** A company/firm may get credit from its suppliers depending on their credit worthiness. The more they get such credit, the requirement of working capital reduces.

9) **Operating efficiency:** Companies with a high degree of operating efficiency will require less working capital, whereas companies having a low level of efficiency will require more working capital because efficiency may help the company/firm in reducing the level of raw materials required, average time for which finished goods inventory is held etc.

10) Availability of raw materials: If raw materials are easily and continuously available, then lower levels of stocks would suffice. This will help the firm/company to avoid storing a large amount of raw materials, thereby reducing the need of working capital.

However, if the lead time between placing the order and supply of goods increases,then the company will be required to store a large amount of stock of raw materials which will lead to more requirement of working capital.

11) Level of competition: If the market is more competitive, the company will require larger stocks of finished goods in order to supply goods on time. So, they maintain higher inventories which require a large amount of capital.

12) Inflation: With rising prices, cost of raw materials and finished goods as well as labour cost rises. It will result in an increase in working capital requirement.

Answer the following questions

	Part - A
1	What is Business Finance?
2	State the primary objective/aim of financial management.
3	What do you understand by 'Capital Structure'?
4	Write the meaning of 'Financial Risk'.
5	Give an example for fixed asset.
6	Give an example for current asset.
7	How do you calculate Net Working Capital?
8	The cheapest source of finance is (a) Debenture (b) Equity share capital (c) Preference share **(d) Retained earnings**

9	The decision of acquiring a new machine or opening a new branch is an example for (a) Financing decision (b) Working capital decision **(c) Investment decision** (d) None of the above
10	The decision of how much to be raised from which source is an example for **(a) Financing decision** (b) Working capital decision (c) Investment decision (d) None of the above
11	Companies with higher growth pattern are likely **(a) to pay lower dividends** (b) to pay higher dividends (c) that dividends are not affected by growth issues (d) none of the above

12	Current assets are those assets which get converted into cash (a) within six months **(b) within one year** (c) between 1 and 3 years (d) between 3 and 5 years
13	A fixed asset should be financed through **(a) a long term liability** (b) a short term liability (c) a mix of long and short term liabilities (d) None of the above
	Part – B
14	What do you understand by Financial Management?
15	Give the meaning of Investment Decision with an example.
16	What is a Financing Decision? Give an example.
17	Give the meaning of Dividend Decision.
18	State the twin objectives of Financial Planning.
19	What is Financial Leverage? Write the formula to calculate Financial Leverage.

20	Give the meaning of 'Trading on Equity'.
21	Write the formula to calculate Debt Service Coverage Ratio.
	Part - C
22	Explain any four factors affecting financing decisions .
23	What is Capital Budgeting decision? Explain briefly the factors affecting capital budgeting decisions.
24	Explain with any four points the importance of financial planning.
	Part -D
25	Explain factors affecting dividend decisions.
26	Explain factors affecting the fixed capital requirement of an organization.
27	Explain any factors affecting the working capital requirement of an organization.
28	Explain factors affecting choice of Capital Structure