

SYLLABUS

PAPER – 6 : FINANCIAL MANAGEMENT AND STRATEGIC MANAGEMENT

(One paper – Three hours – 100 Marks)

SECTION A : FINANCIAL MANAGEMENT (MARKS: 50)

Objective:

- (a) To develop an understanding of various aspects of Financial Management and acquire the ability to apply such knowledge in decision-making.
- (b) To understand various finance functions like financing decision, investment decision, dividend decision.
- (c) To develop an understanding of working capital management and its component.

1. Financial Management and Financial Analysis

(i) Introduction to Financial Management Function

- (a) Objective and scope of financial management.
- (b) Profit Maximisation, Wealth Maximisation and Value Creation.
- (c) Role of Financial Manager and Financial Controller.
- (d) Financial management environment.
- (e) Functions of finance executives in an organization.
- (f) Financial distress and insolvency.

(ii) Financial Analysis through Ratios

- (a) Users of the financial analysis
- (b) Sources of financial data for analysis
- (c) Calculation and Interpretation of ratios.
- (d) Limitations of ratio analysis

2. Financing Decisions and Cost of Capital

(i) Sources of Finance

- (a) Different Sources of Finance, Characteristics of different types of long-term debt and equity finance, Method of raising long term finance
- (b) Different Sources of short-term Finance
- (c) Contemporary sources of funding- P2P lending, Equity funding, Crowd funding, Start-up funding, etc.
- (d) Internal fund as a source of finance
- (e) International sources of finance
- (f) Other sources of finance- Lease Financing, Sale and lease back, Convertible debt, Venture capital, Grants etc.

(ii) Cost of Capital

- (a) Significance of cost of capital
- (b) Factors of cost of capital
- (c) Measurement of costs of individual components of capital
- (d) Weighted average cost of capital (WACC)
- (e) Marginal cost of capital

(iii) Capital Structure Decisions

- (a) Significance of capital structure
- (b) Determinants of capital structure
- (c) Capital structure planning and designing
- (d) Designing of optimum capital structure
- (e) Theories of Capital Structure and value of the firm- relevancy and Irrelevancy of capital structure.
- (f) EBIT- EPS Analysis, Breakeven- EBIT Analysis.
- (g) Under/ Over Capitalisation.

(iv) Leverages

- (a) Types of Leverages- Operating, Financial and Combined
- (b) Analysis of leverages

3. Capital Investment and Dividend Decisions**(i) Capital Investment Decisions**

- (a) Objective of capital investment decisions
- (b) Methods of Investment appraisal:
 - Payback period, Discounted payback period
 - Accounting Rate of Return (ARR),
 - Net Present Value (NPV) - The meaning of NPV, Strengths and limitations of NPV method, The working capital adjustment in an NPV analysis, Capital rationing, Equivalent Annual Costs,
 - Internal Rate of return (IRR)- Limitations of the IRR method, Multiple IRRs,
 - Modified Internal Rate of Return (MIRR)- Definition and explanation of MIRR, Process for calculating MIRR, Strengths of the MIRR approach.
 - Profitability Index

(ii) Dividend Decisions

- (a) Basics of Dividends
- (b) Cash dividend, stock dividend/ bonus share, stock-splits, share buy back
- (c) Determinants of dividend
- (d) Relevancy and Irrelevancy of Dividend Policies- Traditional Approach, Walter's model, Gordon's model, Modigliani and Miller (MM) Hypothesis.

4. Management of Working Capital

- (a) The management of working capital- Liquidity and Profitability
- (b) The Working capital financing decisions- Primary and Secondary Sources of Liquidity
- (c) The working Capital Cycle (operating Cycle), Effectiveness of Working Capital based on its operating and cash conversion cycles
- (d) Assessment of working capital requirement
- (e) Management of Accounts Receivables (Debtors)
- (f) Factoring and Forfaiting
- (g) Credit Management
 - Credit granting
 - Monitoring accounts receivables
 - Debt collection
- (h) Management of Accounts Payables (Creditors)
- (i) Management of Cash, Treasury management
- (j) Banking norms of working capital finance