

DEPARTMENT OF COMMERCE
B.Com. (Semester-V)
(w.e.f. Academic Session- 2018-19)

Course code	Nomenclature of Paper	Max. Marks	L	T	P	Total Credit
COM- EC-512-A	Fundamentals of Financial Management	100	5	1	0	6

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

SYLLABUS CONTENTS

UNIT – I

(18 Lectures)

Introduction: Nature, scope and objective of Financial Management, Time value of money.

Investment Decision: 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), Modified Internal Rate of Return, Profitability Index, Capital budgeting under Risk – Certainty Equivalent Approach and Risk- Adjusted Discount Rate.

UNIT – II

(18 Lectures)

Capital Rationing: Ranking of competing projects, Ranking of projects with unequal lives.

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.

UNIT – III

(18 Lectures)

Capital structure: Theories of Capital Structure (Net Income, Net Operating Income, MM Hypothesis, Traditional Approach). Operating and financial leverage. Determinants of capital structure. Risk and return (Including Capital Asset Pricing Model), Valuation of securities – Bonds and Equities.

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

UNIT – IV

(18 Lectures)

Introduction of Working Capital: Managing, Concept & Components of Working Capital; Factors Affecting the Need for Working Capital; Objectives of Working Capital Management. Computing of operating cycle and working capital.

Financing Working Capital: Sources of Working Capital Finance – A Brief Overview of Long-term and Short-term Sources of Finance, Financing Policies-Maturity Matching Policy, Aggressive Policy and Conservative Policy; Working Capital Finance from Banks [MPBF by tondan committee]. Computing the requirement of working capital under Cash Cost Basis and Total Cost Basis.

Management of Cash and marketable securities: Motives for Holding Cash; Need for and Objectives of Cash Management; Cash Forecasting and Cash Budgets; Cash Cycle, Determining the Optimum Level of Cash Balances. Baumol Model, Miller-Orr Model.

UNIT – V

(18 Lectures)

Management of Receivables: Concept and Nature of Receivables; Purpose of Receivables; Costs and Benefits of Receivables; Factors Affecting Size of Receivables; Managing Receivables – The Profit Decision and Optimum Size Determination; Sound Credit Policy – Credit Standard and Credit Limit, Credit Period, Cash Discounts and Collections.

Management of Inventory: Concept, Nature, and Components of Inventory; Benefits of Holding Inventory; Risks and Costs of Inventory; Managing Inventory – Minimizing Costs and Optimum Size.

Management of Payables: Cost and Benefits of Trade Credit, Computation of Cost of Payables.

Note: Current issues and developments are to be discussed.

ESSENTIALS READINGS:

1. Singh, J.K. *Financial Management- text and Problems*. 2nd Ed. Dhanpat Rai and Company, Delhi.
2. Pandey, I.M. *Financial Management*. Vikas Publications New Delhi.
3. Shrivastava R.M. *Financial Management*, Himalaya Publication New Delhi.
4. Tulsian Dr. P.C., S. Chand Publication, New Delhi.
5. Kulkarni P.V. *Financial Management*, Himalaya Publication New Delhi.

SUGGESTED /RECOMMENDED READINGS:

1. Rustagi, R.P. *Fundamentals of Financial Management*. Taxmann Publication Pvt. Ltd. New Delhi.
2. Singh, Surender and Kaur, Rajeev. *Fundamentals of Financial Management*. Mayur Paperback, New Delhi.
3. James C. Van Horne and Sanjay Dhamija, *Financial Management and Policy*, Pearson Education
4. Levy H. and M. Sarnat . *Principles of Financial Management*. Pearson Education
5. Joy, O.M. *Introduction to Financial Management*. Mc Graw Hill Education.
6. Bhabatosh Banerjee, *Fundamentals of Financial Management*, PHI Learning Delhi.
7. Avadhani V.A. *Investment and securities markets in India*, Himalaya Publication New Delhi.
8. Roy Suvendu Narayan, *Financial Management with New Approach*, Himalaya Publication New Delhi.
9. Inamdar M. Satish, *Basic Financial Management*, Himalaya Publication New Delhi.
10. Babu Ramesh G. *Indian Financial System*, Himalaya Publication New Delhi.
11. M. Satish, *Basic Financial Management*, Himalaya Publication New Delhi.
12. Reddy Sudarsana G, *Financial Management Principles and Practice*, Himalaya Publication New Delhi.
13. Brigham and Houston, *Fundamentals of Financial Management*, Cengage Learning
14. Khan and Jain. *Basic Financial Management*, McGraw Hill Education
15. Chandra, P. *Fundamentals of Financial Management*. McGraw Hill Education

Note: Latest edition of text books may be used.