

## **SEMESTER I**

### **CO101 – ADVANCED FINANCIAL MANAGEMENT (4 Credits)**

#### **Objective**

The objective of this course is to help students to understand the conceptual framework of financial management, and its applications under various environmental constraints.

#### **MODULE I: INTRODUCTION TO FINANCIAL MANAGEMENT (20)**

**Unit 1:** Meaning, nature and scope of finance – Financial goal (profit vs. wealth maximization) – Finance functions – Investment, financing and dividend decisions – Organisation of Finance function – Finance and other related areas. [Theory only]

**Unit 2 :** Investment Decisions - Nature of investment decisions – Investment evaluation criteria – Methods of Capital Budgeting (payback period, accounting rate of return, net present value, internal rate of return, profitability index) – NPV and IRR comparison – Capital rationing- Risk analysis in capital budgeting – Meaning and nature - Risk adjusted discount rate – Certainty Equivalent – Statistical Techniques to handle risk – Probability Assignments – Standard Deviation and Coefficient of Variation – Probability Distribution approaches – Independent and Dependent Cash Flows over time – Decision Tree Analysis. (Including practical problems)

#### **MODULE II: FINANCING DECISIONS (20)**

**Unit 1:** Meaning and Importance of financing decisions - Meaning and significance of cost of capital – Calculation of cost of capital (debt, preference capital, equity capital and retained earnings) – Combined cost of capital (weighted) – Cost of equity and CAPM

**Unit 2:** Operating and Financial Leverage – Measurement of leverage - Effects of operating and financial leverage on profit – Analysing alternate financial plans – Combined / Composite Leverage [Including practical problems]

**Unit 3:** Capital Structure Theories (Net Income, Net Operating Income, Traditional, and M.M hypotheses) – Determining capital structure in practice. [Theory only]

#### **MODULE III: MANAGEMENT OF WORKING CAPITAL (10)**

Meaning, significance, and types of working capital – Calculating operating cycle period and estimation of working capital requirements – Financing of working capital and norms of bank finance – Sources of working capital – Various committee reports on bank finance – Dimensions of Working Capital Management – [Including practical problems]

## **MODULE IV: DIVIDEND POLICIES**

**(10)**

Issues in dividend decisions - Walter's model – Gordon's model – MM hypothesis - Dividend and uncertainty – Relevance of dividend – Dividend policy in practice – Forms of dividends – Stability in dividend – Corporate dividend behaviour [Including practical problems]

### **Suggested readings:**

1. Brealey, Richard A and Steward C. Myers; *Corporate Finance*, McGraw Hill, New York.
2. Chandra , Prasanna: *Financial Management*, Tata McGraw Hill, Delhi.
3. Hampton, John: *Financial Decision Making*, Prentice Hall, Delhi.
4. Pandey, I.M: *Financial Management*, Vikas Publishing House, Delhi.
5. Van Horne, J.C. and J.M. Wachowicz Jr.: *Fundamentals of Financial Management*, Prentice – Hall , Delhi.
6. Pinches, George E: *Essential of Financial Management*; Harper and Row, New York.
7. Khan MY, Jain PK: *Financial Management*; Tata McGraw Hill, New Delhi.
8. Archer, Stephen, H. Choate G Marc, Racette, George; *Financial Management*; John Wiley, New York.
9. Block, Stanley B, Geoffrey A Hilt: *Foundations of Financial Management*; Richards D. Irwin, Homewood, Illinois.
10. Ross, Wester field and Jordan, *Fundamentals of Corporate Finance (6/e)*, TMH, NW Delhi
11. V.K. Bhalla, *Financial Management and Policy*, Anmol Publishers, New Delhi.
12. V.K. Bhalla, *Working Capital Management*, Anmol Publishers, New Delhi.
13. Bhattacharya, Hrishikas: *Working Capital Management: Strategies and Techniques*, Prentice Hall, New Delhi.

### **Suggested Journals :**

1. Vikalpa
2. ICFAI Journal of Applied Finance