



MARRI LAXMAN REDDY INSTITUTE OF TECHNOLOGY AND MANAGEMENT

(AN AUTONOMOUS INSTITUTION)

(Approved by AICTE, New Delhi & Affiliated to JNTUH, Hyderabad)

Accredited by NAAC with 'A' Grade & Recognized Under Section 2(f) & 12(B) of the UGC act, 1956

COURSE CONTENT

FINANCIAL MANAGEMENT								
II Semester: MBA								
Course Code	Category	Hours/Week			Credits	Maximum Marks		
		L	T	P		C	CIE	SEE
20MBA011	CORE	4	-	-	4	40	60	100
		Contact Classes: 60			Tutorial Classes: Nil		Practical Classes: Nil	
Prerequisite: Basic concepts of financial management								

COURSE OVERVIEW:

This syllabus provides a comprehensive overview of Financial Management principles and practices. It explains the nature and evolution of the finance function, emphasizing wealth maximization, risk–return trade-off, and time value of money. It covers investment decisions, including capital budgeting techniques such as NPV and IRR, cost of capital, and decision-making under risk and uncertainty. The course also discusses capital structure theories, leverage analysis, and dividend policies based on models of Gordon, Walter, and MM. Finally, it focuses on working capital management, including cash, receivables, inventory management, and short-term financing to ensure liquidity and profitability balance in organizations.

COURSE OBJECTIVES:

- To introduce the fundamental concepts, objectives and the evolving role of financial management within a business entity.
- To explain the various capital budgeting techniques in order to recommend long-term investment proposals.
- To elucidate different theories and factors influencing capital structure decisions to determine an optimal mix of debt and equity financing.
- To summarize various dividend theories and policies to determine the appropriate distribution of earnings to shareholders while considering firm value.
- To elucidate the importance of working capital management.

COURSE OUTCOMES: After Completion of the course, students should be able to

1. Explain the fundamental concepts of management, its evolution and classical - contemporary management theories.
2. Analyze the processes of planning and decision-making in organizations using suitable models and frameworks.

3. Design organizational structures and control mechanisms that align with business goals and adapt for dynamic environments.
4. Interpret individual and group behaviour in organizational settings by fostering effective teamwork and diversity management.
5. Evaluate leadership and motivation theories by choosing suitable styles, techniques for performance influence

Unit – I: The Finance Function: Nature and scope, functions, objectives and importance of financial management, evolution of finance function, new role in the contemporary scenario, profit maximization, wealth maximization and EPS maximization, role of financial manager, the agency relationship and costs, risk return trade off, concept of time value of money, future value and present value.

Unit – II: The Investment Decision: Investment decision process, developing cash flow, data for new projects, capital budgeting techniques :traditional and discounted cash flow methods: payback period method, average rate of return method, net present value method, profitability index method, internal rate of return method (problems), the net present value vs. internal rate return; approaches for reconciliation, capital budgeting decision under conditions of risk and uncertainty; cost of capital: concept and measurement of cost of capital, debt vs. equity, cost of equity, preference shares, equity capital and

retained earnings, weighted average cost of capital.

Unit – III: Capital Structure Decisions Capital structure vs. financial structure: capitalization, financial leverage, operating leverage and composite leverage, earnings before interest and tax, Earning Per Share Analysis (problems). Indifference Point/Break even analysis of financial leverage, capital structure theories; The Modigliani miller Theory, NI, NOI theory and traditional theory: A critical appraisal (problems).

Unit – IV: Dividend Decisions:

Dividends and value of the firm, Relevance of dividends, MM hypothesis, Factors determining dividend policy, dividends and valuation of the firm, the basic models. Declaration and payment of dividends, bonus shares, rights issue, share-splits, and major forms of dividends: cash and bonus shares, the theoretical backdrop: dividends and valuation, Major theories centered on the works of Gordon and walter models (problems). A brief discussion on dividend policies of Indian companies, working capital management: components of working capital, gross vs. net working capital, determinants of working capital needs, the operating cycle approach.

UNIT-V MANAGEMENT OF CURRENT ASSETS

Management of cash, basic strategies for cash management, cash budget (problems) , cash management techniques/processes; management of receivables and management of inventory (problems), the importance of current assets management in working capital planning, planning of working capital, financing of working capital through bank finance and trade credit, recommendations of Tandon and Raheja committee on working capital, cases. Latest Amendments in Finance.

TEXT BOOKS:

1. I.M. Pandey, “Financial Management”, Vikas Publishing House Publications, 10th Edition, 2010.
2. Jonathan Berk, Peter DeMarzo and Ashok Thampy, “Financial Management”, Pearson Publications, 4th Edition, 2010.

3. Brigham, E. F. and Ehrhardt. M. C., “Financial Management Theory and Practice”, Thomson South-Western Publications, 10th Edition, 2006.

REFERENCE BOOKS

1. Vishwanath S. R., “Corporate Finance Theory and Practice”, Sage Publications, 2 nd Edition, 2007.
2. Prasanna Chandra, “Financial Management Theory and Practice”, Tata McGraw Hill, 7th Edition, 2005
3. Arindam Banerjee, Financial Management, Oxford Publications,2016.

ELECTRONIC RESOURCES

1. http://qu.edu.iq/ade/wpcontent/uploads/2016/02/financial_management_www.accfile.com_.pdf
2. http://bschool.nus.edu.sg/staffprofile/bizzwn/Financial_Mgt_2E.pdf
3. <http://www.freebookcentre.net/Business/Finance-Books.html>

MATERIALS ONLINE

1. Course template
2. Tutorial question bank
3. Tech talk and concept video topics
4. Open-ended experiments / case discussions
5. Definitions and terminology
6. Assignments
7. Model question paper – I
8. Model question paper – II
9. Lecture notes
10. PowerPoint presentations
11. Drishya Siksha Sangrah (DSS) Videos

