



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								
Course Code	Category	Hours/Week			Credits	Maximum Marks		
22MBA0011	CORE	L	T	P	C	CIE	SEE	Total
		4	-	-	4	40	60	100
Contact Classes: 60	Tutorial Classes: Nil	Practical Classes: Nil			Total Classes:60			
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. Define financial management by exploring its nature, scope, objectives, and key concepts exemplified by the time value of money and the risk-return trade-off.
2. Explain how businesses use capital budgeting techniques in making investment decisions, incorporating the cost of capital and strategies for managing risk and uncertainty.

3. Apply capital structure concepts and leverage analysis for evaluation of financing decisions using various capital structure theories of EBIT-EPS review.
4. Evaluate how dividend decisions affect firm value using theoretical models for investigating the factors that influence dividend policy and working capital management.
5. Evaluate strategies for managing current assets, cash receivables by inventory on working capital planning and financing methods.

Unit – I: The Finance Function: Nature and Scope, Evolution of Finance Function, Its New Role in the Contemporary Scenario, Goals of Finance Function, Profit Maximization and Wealth Maximization, the Agency Relationship and Costs; Risk-Return Trade off; Concept of Time Value of Money, Future Value and Present Value and the Basic Valuation Model.

Unit – II: The Investment Decision: Investment Decision Process, Project Generation, Project Evaluation, Project Selection and Project Implementation. Developing Cash Flow, Data for New Projects, Capital Budgeting Techniques: Traditional and DCF Methods. The NPV vs. IRR Debate, Approaches for Reconciliation. Capital Budgeting Decision under Conditions of Risk and Uncertainty. Cost of Capital: Concept and Measurement of Cost of Capital, Weighted Average Cost of Capital and Marginal Cost of Capital. Importance of Cost of Capital in Capital Budgeting Decisions.

Unit – III: Capital Structure Decisions: Capital Structure vs. Financial Structure, Capitalization, Financial Leverage, Operating Leverage and Composite Leverage. EBIT-EPS Analysis, Indifference Point/Break-even Analysis of Financial Leverage, Capital Structure Theories: The Modigliani Miller Theory, NI, NOI Theory and Traditional Theory.

Unit – IV: Dividend Decisions: Dividends and Value of the Firm, Relevance of Dividends, the MM Hypothesis, Factors Determining Dividend Policy, Dividends and Valuation of the Firm, the Basic Models, Forms of Dividend. Declaration and Payment of Dividends. Bonus Shares, Rights Issue, Share- splits, Major Forms of Dividends, Cash and Bonus Shares. Dividends and Valuation. Major Theories centered on the works of Gordon, Walter and Lintner, Dividend Policies of Indian companies.

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:

- Prasanna Chandra, Financial Management, 10e, Mc Graw Hill, 2019.
- M.Y Khan, P K Jain, Financial Management-Text and Problems, Mc Graw Hill, 8e, 2019.
- I M Pandey, Financial Management, Vikas Publications, 11e, 2015.

- James C Vanhorne, Sanjay Dhamija, Financial Management and Policy, Pearson Education, New Delhi, 12e, 2011.
- Eugene F. Brigham Michael C. Ehrhardt, Financial Management, Cengage Learning, 12e, 2012.
- Arindam Banerjee, Financial Management, Oxford Publications, 2016.

REFERENCE BOOKS

1. Financial Management: Theory and Practice – Prasanna Chandra
2. Financial Management: Text and Problems – M.Y. Khan & P.K. Jain
3. Principles of Corporate Finance – Richard A. Brealey & Stewart C. Myers
4. Fundamentals of Financial Management – Eugene F. Brigham & Joel F. Houston
5. Financial Management – I.M. Pandey
6. Corporate Finance – Jonathan Berk & Peter DeMarzo

ELECTRONIC RESOURCES

1. http://qu.edu.iq/ade/wpcontent/uploads/2016/02/financial_management_www.acfile.com_.pdf
2. http://bschool.nus.edu.sg/staffprofile/bizzwn/Financial_Mgt_2E.pdf

MATERIALS ONLINE

1. University LMS Notes
2. PPT Slides on Financial Management
3. Case Studies on Capital Budgeting
4. E-Journals (Finance & Accounting)
5. RBI Bulletins
6. Annual Reports of Indian Companies
7. Excel Templates for NPV & IRR
8. Recorded Video Lectures
9. Question Banks & MCQs
10. Drishya Siksha Sangrah (DSS) Videos

