

(Applicable to the batch of students admitted in the academic year 2016-17 and onwards)

M.Com. (CBCS)

FACULTY OF COMMERCE, OU

**SEMESTER I : SPECIALISATION : FINANCE/ACCOUNTING/TAXATION/INTERNATIONAL
BUSINESS/INSURANCE/BANKING/COMPUTER APPLICATIONS**

FINANCIAL MANAGEMENT

PAPER CODE: COM 4 F/A/T//IB/I/B/CA

Total Marks: 80+15+05=100

THPW: 5

ESED: 3 HRS

OBJECTIVE: to introduce the subject of Financial Management; and to acquaint the student with various techniques of Financial Management.

UNIT-I: INTRODUCTION:

Financial Management: Meaning- Evolution – Organization of Finance Function – Financial Decisions – Goals of Financial Management – Agency Problem – Changing Role of Finance Manager (Theory).

Time value of money: Meaning – Rationale of Time Preference for Money – Future Value – Present Value (Including Problems).

UNIT-II: CAPITAL BUDGETING:

Capital Budgeting: Meaning – Importance – Process – Kinds of Decisions – Cash Flow Estimation – Techniques of Capital Budgeting – Traditional Techniques: Payback Period – Accounting / Average Rate of Return – Discounted Techniques – Discounted Payback Period – Net Present Value – Internal Rate of Return – Profitability Index – NPV Vs. IRR – Capital Rationing (Including Problems).

Risk Analysis in Capital Budgeting Decisions: Sources and Perspectives of Risk – Traditional Tools – Payback Period – Risk Adjusted Discount Rate – Certainty Equivalent Coefficient of Variation – and Decision Tree Analysis (Including Problems).

UNIT-III: WORKING CAPITAL MANAGEMENT:

Working Capital: Meaning – kinds – Determinants – Sources and Levels – Estimation of Working Capital Requirements (Including Problems).

Cash Management: Nature of Cash – Motives of Holding Cash – Objectives of Cash Management – Factors Determining Cash Need – Cash Cycle – Facets of Cash Management –Cash Forecasting and Budgeting – Management of Cash Flows – Determination of Optimum Cash Balance (Including Problems).

Accounts Receivable Management: Meaning – Objectives – Cost Benefit Analysis – Credit Standards – Credit Terms – Collection of Receivables (Including Problems).

Inventory Management: Meaning – Components of Inventory – Motives of Holding Inventory – Objectives of Inventory Management – Tools and Techniques of Inventory Control (Including Problems).

UNIT-IV: FINANCING DECISIONS:

Cost of Capital: Meaning – Significance – Classification of Costs – Computation of Specific Cost of Capital – Cost of Debt – Cost of Preference Share Capital – Cost of Equity Share Capital and Cost of Retained Earnings – Computation of weighted Average and Marginal Cost of Capital (Including Problems).

Leverages: Meaning – Types – EBIT-EPS Analysis – Degree of Operating Leverage – Degree of Financial Leverage – Degree of Combined Leverage – Indifference Point (Including Problems).

Capital Structure: Meaning – Determinants – Theories – Net Income Approach – Net Operating Income Approach – Traditional Approach – MM Approach (Including Problems).

UNIT-V: DIVIDEND DECISIONS:

Dividend Policy: Meaning – Types of Dividend Policies – Factors Influencing Dividend Policy – Forms of Dividends (Theory).

Dividend Theories: Relevance Theories – Walter's Model – Gordon's Model – Irrelevance Theory – MM Hypothesis (Including Problems).

SUGGESTED READINGS:

1. Prasanna Chandra: Financial management, TMH.,
2. Erhardt & Brigham: Corporate Finance: A Focused Approach, Thomson.,
3. Eugene Brigham & Erhardt: Fundamental of Financial Management, Thomson.,
4. Khan M.Y. & Jain PK: Financial management, TMH.,
5. Kulkarni P.V.: Financial Management, Himalaya.,
6. Lasher: Practical Financial Management, Thomson.,
7. Pandey I.M.: Financial Management, Vikas.,
8. Rustagi, R.P. Financial Management, Sultan Chand.,
9. Shashi K. Gupta and R.K. Sharma: Financial Management, Kalyani Publishers.,
10. Solemen Ezra & Pringle John J: An Introduction to Financial Management, Prentice Hall.,
11. Srivatsava R.M: Essential of Business Finances, Himalaya.,
12. Sudarsan Reddy G: Financial Management, Himalaya.,
13. Van Horn, James C: Financial Management, Prentice Hall.