

M.Com. Part I
(Financial Management)

Objective

The Objective of this course is to help students understand the conceptual framework of financial management and its application under various environment constraints.

Course Inputs:

Unit-1 (25 marks)

1. **Financial Management** : Meaning, nature and scope of finance; financial goal- profit vs. wealth maximization; Finance function- investment, financing and dividend decisions.
2. **Capital budgeting** : Nature of investment decisions; Investment evaluation criteria- net present value internal rate of return, profitability index, payback period, accounting rate of return; NPV and IRR comparison; capital rationing; Risk analysis in capital budgeting.

Unit-2 (25 marks)

3. **Cost of Capital**: Meaning and significance of cost of capital; Calculation of cost of debt, preference capital, equity capital and retained earnings; Combined cost of capital (weighted); Cost of equity and CAPM.
4. **Capital Structure Theories**: Traditional and M.M hypotheses - without taxes and with taxes; Determining capital, structure in practice

Unit-3 (25 marks)

5. **Operating and Financial Leverage** : Measurement of leverages, Effects of operating and financial leverage on profit; Analysis alternate financial plans; Combined financial and operating leverage.
6. **Dividend Policies** : Issues in dividend decisions, Walter's model, Gordon's model, M.M hypothesis, dividend and uncertainty, relevance of dividend; Dividend policy in practice; Form of dividends; Stability in dividend policy; Corporate dividend behavior.

Unit-4 (25 marks)

7. **Management of working Capital**: 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; Factoring services; Various committee reports on bank finance; Dimension of working capital management.
8. **Management of Cash, receivables and inventory.**

Note: - 1 question from each unit with internal options. 75 % for practical examples and 25 % for Theory

References

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- Chandra, Prasanna : Financial Decision Making, Prentice Hall, Delhi.
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- Pandey, I.M : Financial Management, Vikas Publishing House, Delhi.
- Van Horne, J.C. and J.M. Wachowicz Jr: Fundamentals of financial Management, Prentice-Hall, Delhi.
- Van Horne, James C : Financial Management and Policy, Prentice Hall Delhi.
- Pinches, Geroge E : Essential of Financial Management: Harper and Row, New York.
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