

**B. COM  
SEMESTER –V  
BUSINESS MANAGEMENT  
MAJOR-2  
(FINANCIAL MANAGEMENT)  
100 Marks-75 Lectures**

**UNIT-I: An Introduction to Financial Management (15 Marks – 11 Lectures)**

Meaning of financial Management, scope and objectives of financial management, Profit maximisation v/s Wealth maximisation; Role & responsibilities of a financial manager; International Financial Management –Fixed and Floating exchange rate regime, Distinctive features of Foreign Exchange Market.

**UNIT-II: Cost of Capital & its Measurement (25 Marks – 20 Lectures)**

Meaning of Cost of capital, Importance of Cost of Capital, Types—*Historical cost, future cost, Explicit cost, Implicit cost, Specific cost and Composite cost*; Measuring cost of capital: cost of Debt, cost of Preference share capital, cost of Equity share capital:- (*4 approaches- D/P ratio, E/P ratio, D/P + Growth ratio, Realised Yield approach*); cost of Retained earnings and Weighted average cost of capital.

**UNIT-III: Capital Budgeting (30 Marks – 22 Lectures)**

Meaning and nature of Capital Budgeting; Importance of Capital Budgeting decisions; Capital budgeting process; Kinds of Capital Budgeting decisions (*Accept-Reject decisions, Mutually Exclusive Project Decision, Capital Rationing Decisions*); Project classification (*Mandatory investment, New projects, Replacement Projects, Expansion Projects, Diversification Projects, Research and development Project and Miscellaneous Projects*);

Investment criteria (Methods of appraising Capital Expenditure Proposals):

A. Non-discounting criteria

- (i) Pay-back period method (ii) Average /Accounting Rate of Return method

B. Discounting criteria

- (i) Net Present value method (ii) Internal rate of Return method  
(iii) Profitability Index

**UNIT-IV Capital Structure Decisions (30 Marks – 22 Lectures)**

A. Meaning of Capital Structure, Importance of Capital Structure and Optimum

Capital Structure:

Leverages- Meaning and Types

- (i) Financial Leverage & its features  
(ii) Operating Leverage & its features

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**(iii) Combined leverage**

**B. Lease Financing** Introduction and nature of lease financing, Terms of the lease agreement, Types of Leasing (*Operating lease, Financial Lease, Sale & Lease back, leveraged Lease, Cross Border Lease and Primary and Secondary Lease*); Lease v/s Buying; Financial Evaluation of Lease (Purchase an Asset or acquire it on lease basis?): a) from lessee's point of view and b) from lessor's point of view, Advantages and limitations of leasing.

**Problems on:**

1. Cost of Capital and its measurement. -----2. Capital Budgeting—only 3 methods i.e Payback Period, ARR and NPV.-----3. Leverage— Financial Leverage, Operating Leverage and Combined Leverage.

**Books for Study and Reference:**

1. Financial Management, Theory & Practice- Prasanna Chandra (Tata McGraw Hill)
2. Financial Management, I.M Pandey ( Vikas Publishing Home)
3. Financial Management, Khan & Jain (Tata McGraw Hill)
4. Financial Management, S.C Kuchhal (Chitanya Publishing House)
5. Financial Management, Sharma & Shashi Gupta (Kalyani Publishers)
6. Fundamentals of Financial Management, James C. Vanhorne (Prentice hall of India)
7. Indian Financial System, Phatak
8. Investment Management; Preeti Singh (Himalaya Publishing House)
9. Financial Management-Principles and Practice; G.Sudarsana Reddy (Himalaya publishing House)
10. Financial Management- Dr.P.C.Tulsian (S.Chand & Co Lt)
11. Fundamentals of Financial Management- Vyuptakesh Shavam ( Pearson)

