

COC101 Advanced Financial Management [4 Credits]

Learning Objective: The objective of this course is to help students understand the process of financial

decision making to enhance share holders wealth

UNIT 1: Introduction

(8

Hours)

Introduction to Financial Management: Meaning, nature and scope of finance – Financial goal (profit vs. wealth maximization) – Finance functions – Investment, financing and dividend decisions – Organisation of Finance function
– Finance and other related areas. [Theory only].

UNIT 2: Capital Budgeting

(15

Hours)

Investment Decisions: Nature of investment decisions – Investment evaluation criteria – Methods of Capital Budgeting (payback period, accounting rate of return, net present value, internal rate of return, profitability index) – NPV and IRR comparison – Capital rationing
Risk analysis in capital budgeting – Meaning and nature – Risk adjusted discount rate – Certainty Equivalent – Statistical Techniques to handle risk – Probability Assignments – Standard Deviation and Coefficient of Variation – Probability Distribution approaches – Independent and Dependent Cash Flows over time – Decision Tree Analysis. (Including practical problems).

UNIT 3: Financing Decisions:

(

15 hours)

Meaning and Importance of financing decisions - Meaning and significance of cost of capital – Calculation of cost of capital (debt, preference capital, equity capital and retained earnings) – Combined cost of capital (weighted) – Cost of equity and CAPM
Operating and Financial Leverage – Measurement of leverage - Effects of operating and financial leverage on profit – Analyzing alternate financial plans – Combined / Composite Leverage [Including practical problems]
Capital Structure Theories (Net Income, Net Operating Income, Traditional, and M.M hypotheses) – Determining capital structure in practice. [Theory only].

UNIT 4: Working Capital management

(15 Hours) 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 – Various committee reports on bank finance – Dimensions of Working Capital Management – Cash-Inventory-Receivables Management [Including practical problems].

UNIT 5: Dividend Decisions

(7

Hours)

Dividend Policies: Issues in dividend decisions - Walter's model – Gordon's model – MM hypothesis - Dividend and uncertainty – Relevance of dividend – Dividend policy in practice – Forms of dividends – Stability in dividend – Corporate dividend behaviour [Including practical problems].

Suggested readings:

1. Brealey, Richard A and Steward C. Myers; *Corporate Finance*, McGraw Hill, New York, 7th ed, 2007
2. Chandra, Prasanna; *Financial Management*, Tata McGraw Hill, Delhi, 6th ed, 2012

3. Hampton, John: *Financial Decision Making*, Prentice Hall, Delhi, 5th ed, 2008
4. Pandey, I.M: *Financial Management*, Vikas Publishing House, Delhi, 10th ed, 2010
5. Van Horne, J.C. and J.M. Wachowicz Jr.: *Fundamentals of Financial Management*, Prentice – Hall , Delhi,6th ed, 2005
6. Pinches, George E: *Essential of Financial Management*; Harper and Row, New York.
7. Khan MY, Jain PK: *Financial Management*; Tata McGraw Hill, New Delhi, 6th ed 2012
8. Ross, Wester field and Jordan, *Fundamentals of Corporate Finance*, TMH,6th ed, 2008
9. V.K. B halla, *Financial Management and Policy*, Anmol Publishers, New Delhi,3rd ed,2012
10. G.Sudarshan Reddy, *Financial Management*, Himalaya Publishers, 3rd ed,2012