

B.Com. (Hons.): Semester-III
BCM303: FINANCIAL MANAGEMENT

Teaching Scheme	Examination Scheme
Lectures: 4 hrs/Week	Class Test -12 Marks
Tutorials: 1 hr/Week	Teachers Assessment – 6 Marks
Credits: 5	Attendance – 12 Marks
	End Semester Exam – 70 Marks

Course Objective

To familiarize the students with the principles and practice of financial management.

Course Learning Outcomes

After completing the course, the student shall be able to:

- CO1: explain the nature and scope of financial management as well as time value of money
- CO2: understand risk return trade-off.
- CO3: analyze capital budgeting process and capital budgeting techniques.
- CO4: estimate various capital structure theories and factors affecting capital structure decisions in a firm.
- CO5: critically examine various theories of dividend and factors affecting dividend policy.
- CO6: evaluate working capital requirement of a business.

Unit I: Introduction

Nature, scope and objectives of financial management, Time value of money, Risk and Return.

Unit II: Capital Budgeting

The Capital Budgeting Process, Cash Flow Estimation, Payback Period Method, Discounted Payback Period Method, Accounting Rate of Return, Net Present Value (NPV), Net Terminal Value, Internal Rate of Return (IRR), Profitability Index, Capital budgeting under Risk & Uncertainty-Certainty Equivalent Approach and Risk-Adjusted Discount Rate Method.

Unit III: Cost of Capital and Financing Decision

Sources of long-term financing, Estimation of components of cost of capital, Method for calculating Cost of Equity, Cost of Retained Earnings, Cost of Debt and Cost of Preference Capital, Weighted Average Cost of Capital (WACC) and Marginal Cost of Capital. Capital Structure, Leverage analysis- Operating, Financial and Combined Leverage, EBIT-EPS Analysis, Determinants of Capital Structure.

Unit IV: Dividend Decision

Theories for relevance and irrelevance of dividend decision for corporate valuation- Walter's Model, Gordon's Model, MM Approach, Forms of dividend payment, types of dividend policies and Determinants of Dividend policy.

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Unit V: Working Capital Decision

Concepts of Working Capital, Operating & Cash Cycles, Risk-return Trade off, sources of short-term finance, working capital estimation, cash management, an overview of receivables management and inventory management.

Suggested Readings

- Khan, M.Y. Khan and Jain P.K. Financial management: Text and Problems. Tata McGraw Hill
- Kothari, R. Financial Management : A Contemporary Approach. Sage Publications India Pvt. Ltd. New Delhi
- Pandey, I.M. Financial Management. Vikas Publications
- Rustagi, R.P. Fundamentals of Financial Management, Taxmann, New Delhi.
- Sharma, S.K. and Sareen, Rachan Fundamentals of Financial management , Sultan Chand & Sons (P)Ltd.
- Singh, Preeti. Financial Management. Ane Books Pvt. Ltd, New Delhi.
- Singh, J.K. Financial Management- Theory and Practice. Galgotia Publishing House, Delhi
- Singh, Surender. and Kaur, Rajeev. Fundamentals of Financial Management. SCHOLAR Tech Press, New Delhi
- Tripathi, Vanita, Basic Financial Management, Taxmann Publications.

Additional Readings

- Chandra, P. Financial Management-Theory and Practice., Tata McGraw Hill.
- VanHorne., James, C., and John, Wachowicz. Fundamentals of Financial Management. Pearson Education.
- Ross, Stephen A., Westerfield, Randolph, and Jeffrey, Jaffe, Corporate Finance. Tata McGraw Hill.
- Sriyastava, Rajiv., and Mishra, Anil. Financial Management. Oxford University Press.

UK.Note: Latest edition of readings may be used.

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