



L	T	P/S	SW/F W	TOTAL CREDIT UNITS
3	0	0	0	3

**Course Title: Fundamentals of Financial Management**

**Course Code: FIBA201**

**Credit Units: 3**

**Course Level: UG**

**Course Objectives:**

- The basic objective of the course is to equip the students with the understanding time value of money & use it for decision making.
- To evaluate projects and investments is the basic objective of the course.
- The course is designed so that the students are aware various sources of finance.
- The course also provides students with knowledge on management of working capital & capital budgeting.

**Pre-requisites:** Students of finance should be aware of the basics of finance & basic rules of mathematics and statistics. In this course will learn topics related to finance for decision making, capital budgeting, working capital management and cost of capital and leverage analysis

**Student Learning Outcomes:**

- Students who complete this course will be able understand the use of finance for decision making
- By the end of the course students will able to describe time value of money, how a project is made and appraised.
- Students of the course will able to differentiate between the various sources of finance and their pros & cons.
- Students who complete this course will be able to outline capital requirements for starting a business & management of working capital
- Students of the course will able to recommend whether and why an investment should be accepted or rejected

**Course Contents/Syllabus:**

	Weightage (%)
<b>Module 1: Introduction to Financial Management &amp; Tools for financial decision making</b>	<b>20</b>
<b>Descriptors/Topics</b> Evolution of Financial Management, Key activities of Finance Manager Changing Role of Finance Managers, Key Decision Areas in Financial Management, Objectives of the firm. Meaning, importance and role of Indian Financial System. A framework for Financial Decision Making - Financial Statement Analysis: Interpretation & Analysis of fund flow statement, cash flow statement, financial ratio, common size statement, Comparative statement, trend analysis, time series.	

Concept of Time value of Money, Process of Compounding and Discounting, Future Value of a Single amount, Future Value of an Annuity, Present Value of a Single Amount, Present Value of an Annuity.	
<b>Module 2: Analysis and Techniques of Capital budgeting</b>	<b>20</b>
<b>Descriptors/Topics</b> Basics of Capital Budgeting, Types of capital budgeting decisions, Preparation of capital budgeting proposal, estimating cash flows for project appraisal, Green capital budgeting. Non-discounted Cash Flow Techniques: Payback Period, ARR, Discounted Cash Flow Techniques: NPV, IRR, Modified IRR, PI and Capital Rationing.	
<b>Module 3: Sources of Finance</b>	<b>16</b>
<b>Descriptors/Topics</b> Sources of finance – Debt: Term Loans, Debentures. Equity: Ordinary Shares. Hybrid: Preference, Warrants, Convertible securities, ADRs, GDRs. An introduction to: leasing, Hire purchase, Leverage Buyouts and securitization. An Overview of Sources of short term finance: Accruals, Trade credit, Working capital advance by commercial banks, Public Deposits, Inter-corporate deposits, Short term loan from financial institutions, Commercial Paper, Factoring & Forfaiting, securitization, Institutional sources of funds- banks, FII's, VCF's.	
<b>Module 4: Working Capital Management</b>	<b>22</b>
<b>Descriptors/Topics</b> Factors influencing working capital requirement, estimating working capital requirement (numerical), Operating cycle analysis, Negative Working Capital. An introduction to inventory management. Objectives of Inventory management, EOQ Model (with numerical). Receivables management: An Introduction. Management of cash: Cash Planning, Managing the cash flows, Determining Optimum Cash Level (Baumol Model with numerical), Investing surplus cash, Calculation of Maximum Permissible Bank Finance(MPBF).	
<b>Module 5: Cost of Capital and Leverage Analysis</b>	<b>22</b>
<b>Descriptors/Topics</b> Concept, significance, assumptions, factor affecting cost of capital. Computation of cost of capital of various sources: Equity, Debt, Reserve & Surplus and Preference shares (floatation cost and its adjustments). Weighted average cost of capital. Book value weights v/s market value weights. EBIT-EPS analysis, Leverage Analysis: Operating Leverage, Financial Leverage & Combined Leverage.	

### **Pedagogy for Course Delivery:**

The course is covered by adopting a combination of lecture methods, class presentation by groups of students, self-study sessions. Group Assignment & Presentation to build their own analysis ability. Case studies will be taken up to illustrate real life situations. We will open the stage for two way communication and discussion.

**Assessment/ Examination Scheme:**

<b>Theory L/T (%)</b>	<b>End Term Examination</b>
<b>100%</b>	<b>70</b>

**Theory Assessment (L&T):**

<b>Continuous Assessment/Internal Assessment</b>				<b>End Term Examination</b>
<b>Components (Drop down)</b>	<b>CT</b>	<b>P</b>	<b>HA</b>	<b>70</b>
<b>Weightage (%)</b>	10%	10%	10%	70%

**Text & References:****Text:**

- Pandey, I. M. Ninth Edition, Financial Management, Vikas Publishing House Pvt. Ltd.

**References:**

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- Brearly R.A. and Myers, S.C. Eighth Edition Principles of Corporate Finance, Tata Mc-Graw Hill
- Chandra, P. Fundamentals of Financial Management, Sixth Edition, Tata McGraw Hill.
- Horne. V. Tenth Edition, Financial Management and Policy, Prentice Hall of India