

B.COM.

VITH SEMESTER

CC 307 - FUNDAMENTALS OF FINANCIAL MANAGEMENT

UNIT 1 FINANCE FUNCTION AND FINANCIAL PLANNING

Meaning, importance and scope of financial management, financial goals: profit versus value maximization. Finance function: relationship between finance function and other functional areas of management, role of finance manager, meaning of financial planning, and steps in financial planning.

UNIT 2 CAPITALIZATION AND CAPITAL STRUCTURE

Capitalization: meaning, effects and remedies of under capitalization, over capitalization and watered stock.

Capital structure: Meaning, importance and determination of capital structure. Trading on equity: meaning, benefits and risks, operating leverage and financial leverage: meaning and degree of combined leverage (no numerical). Sources of long term finance: equity, debentures and preference shares: meaning, advantages and limitations of each.

UNIT 3 WORKING CAPITAL MANGEMENT

Concepts and types of working capital – factors determining working capital requirement. Principles of working capital management, components of working capital: cash, receivables, inventory, creditors, bank overdraft and others, disadvantages of inadequate working capital.

UNIT 4 COST OF CAPITAL AND CAPITAL BUDGETING

Cost of Capital: Meaning and importance, computation of cost of capital for debentures or bonds, equity and preference capital and retained earnings. Weighted cost of capital.

Capital Budgeting: meaning, characteristics, process, techniques, meaning, utility and limitations of various methods – Average rate of return, pay back period, net present value and PI.

REFERENCES:

1. Elements of Financial Management, by S.N.Maheshwari
2. Principles of Financial Management, by N.P.Agrawal, R.K.Tailor, Pioneer Publications 2008
3. Working Capital Management, by N.P.Agrawal, B.K.Mishra, RBSA Publishers
4. Financial Management by P.V.Kulkarni, B.G.Satyaprasad, Himalaya Publishing house
5. Financial Management by S.C.Kuchhal