

T.Y. Bcom Accounting Finance

SEMESTER V

Financial Management -II

SYLLABUS OBJECTIVES

- To understand theories of value, risk and return, capital investment decisions, financing decisions, dividend policy, capital structure, and options. Also, to study leasing, corporate takeovers, and managerial compensation.

TOPICS

NO.OF LECTURES

01. Strategic Financial Management	05
02. Capital Budgeting – Project Planning & Risk Analysis	15
03. Capital Structure Theories and Dividend Decisions	15
04. Mutual Fund and Bond Valuation	15
05. Credit Management	10
Total	60

1.Strategic Financial Management

Strategic Financial Management – Need and Importance

Corporate, Business and Functional Strategy

Financial Planning - Need and Importance

Profit Maximization

Wealth Maximization

Interface of Financial Policy and Strategic Management

Relationship of Finance to Economics and Accounting

Role of Financial Manager

2. Capital Budgeting – Project Planning & Risk Analysis

Introduction - Capital Budgeting Process, Project Classification and Investment Criteria.

Techniques of Capital Budgeting - NPV, Benefit Cost Ratio, Internal Rate of Return, Modified Internal Rate of Return, Payback period, Discounted Payback Period and ARR. (Inclusive of Estimation of Project Cash Flows)

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Capital Rationing – Meaning, Need and
Dealing with Capital Rationing Problems
Risk Analysis in Capital Budgeting –
Sources and Perspectives of Risk,
Sensitivity Analysis, Scenario Analysis,
Simulation Model, Decision Tree Analysis
and Break -Even Analysis

3. Capital Structure Theories and Dividend Decisions

- Capital Structure Theories- Background, Assumptions, Definitions and Taxation and Capital Structure
- Types - Net Operating Income, Net Operating Income Approach, Traditional Position, Modigliani and Miller Approach, Trade off Theory and Signalling Theory.
- Dividend Decisions- Need, Importance, Formulation, Legal and Procedural Aspects.
- Dividend Decision Models - Walter, Gordon, Graham & Dodd Model and M-M Model

4. Mutual Fund and Bond Valuation

- Introduction to Mutual Fund- History & Origin, Definition, Meaning, Characteristics, Advantages, Disadvantages, Limitations of Mutual Funds, Ethics in Mutual Fund. Entities involved □ Sponsor, Trust, Trustee, Asset Management Company, Registrar and Transfer Agent (RTA) and Fund Houses in India.
- Classification of Mutual Fund -
Functional/Operational □ Open ended, close ended, Interval, Portfolio □ Income, Growth, Balanced, MMMF, Geographical/ Location □ Domestic and Offshore, Tax Saving Funds, Exchange Traded Funds , Balance Funds , Fixed Term Plan Debt Funds and SIP.

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- Calculations of NAV, Entry Load and Exit Load.
- Bond Valuation - Meaning, Measuring Bond Returns □ Yield to Maturity, Yield to call and Bond Pricing. Bond Pricing Theorems, Bond Risks and Bond Duration.
- (Practical Problems on YTM and Bond Duration.)

5. Credit Management

- Credit Management - Terms of Payment, Credit Policy Variables, Credit Evaluation, Credit Granting Decision, Control of Accounts Receivables ie Receivables Management, Ageing Schedule and Credit Management in India

5 .Working Capital financing

- Introduction – Key features and Characteristics of Trade Credit, Bank Credit, Commercial Papers, Certificate of Deposits and Factoring.
- Practical Problems based on Factoring and calculations of yield of CP's and CD's

SYLLABUS OUTCOMES

- Create and interpret financial statements.
- Create and interpret cash flow statements.
- Determine discount/hurdle rates.
- Evaluate investments in working capital and long-term assets.
- Demonstrate proficiency in valuation techniques, both DCF (discounted cash flow) and non-DCF.
- Apply the contingent claims approach to valuation.