



**PARVATHANENI BRAHMAYYA
SIDDHARTHA COLLEGE OF ARTS & SCIENCE**
Autonomous
Siddhartha Nagar, Vijayawada-520010
Re-accredited at 'A+' by the NAAC

Course Code				23FIMAL231			
Title of the Course				FINANCIAL MANAGEMENT			
Offered to: (Programme/s)				B.COM Honours (FINANACE)			
L	4	T	1	P	0	C	4
Year of Introduction:		2024-25		Semester:			3
Course Category:		MAJOR		Course Relates to:		NATIONAL	
Year of Revision:				Percentage:			
Type of the Course:				Entrepreneurship			
Crosscutting Issues of the Course :				Professional Ethics			
Pre-requisites, if any							

Course Description:

This course provides an in-depth exploration of key financial management concepts. It begins with capital budgeting, covering definitions, purposes, processes, and techniques like Payback Period, Net Present Value, and Internal Rate of Return. The focus then shifts to financing decisions, including leverage types, EBIT-EPS analysis, and capital structure theories. Dividend theories are examined, highlighting factors affecting dividend decisions and various theories such as Walter's, Gordon's, and MM. The course also covers working capital, including its meaning, determinants, and estimation methods. Finally, it addresses working capital management, emphasizing cash management, receivables, and inventory management techniques.

Course Aims and Objectives:

S.No	COURSE OBJECTIVES
1	The aim of the course is to expose the students to the basic tools and techniques of financial Management which can be used to help firms maximize value.
2	To enable the students to understand how corporations make important investment, financing and dividend decisions and how they establish working capital policies.
3	To acquaint students with the techniques of financial management and their applications for business decision making.
4	To familiarize students with MS Excel or spreadsheet applications of financial management and decision making.
5	Demonstrate the techniques for controlling and coordination

Course Outcomes

At the end of the course, the student will be able to...

CO No	COURSE OUTCOME	BT L	P O	PS O
CO1	impart thorough knowledge about capital budgeting tools and techniques.	K1	2	2
CO2	Understand and analyze the concepts of leverage and capital structure theories.	K2	2	2
CO3	provide knowledge about dividend policies and various dividend models.	K2	2	2
CO4	Evaluate the importance of working capital management to meet the firm's financial objectives.	K5	2	2
CO5	Equip with the necessary tools and techniques to be used in working capital management.	K3	2	2

CO-PO MATRIX

CO NO	PO1	PO2	PO3	PO4	PO5	PO6	PO7	PSO1	PSO2
CO1		1							1
CO2		2							2
CO3		3							3
CO4		3							3
CO5		3							3

Course Structure:

Unit – 1: Investment Decisions

(15Hrs)

Content: Capital Budgeting Definition-Purpose of Capital Budgeting and-Capital Budgeting Process-Types of Capital Investment Decisions-Basic principles for measuring Projected Cash Flows-Capital Budgeting Techniques – Pay Back Period, Accounting Rate of Return, Net Present Value, Profitability Index, Internal Rate of Return.

Examples/Applications/Case Studies:

- Example on Types of Capital Investment Decisions
- Example on Capital Budgeting Techniques

Exercises/Projects:

- Exercise on Types of Capital Investment Decisions]
- Exercise on Capital Budgeting Techniques

Specific Resources: (web)

<https://www.investopedia.com/terms/c/capitalbudgeting.asp>

Unit – 2: Financing Decisions:

(15Hrs)

Leverages: Operating Leverage-Financial Leverage -Combined Leverage -EBIT – EPS Analysis -Indifferent point -Capital Structure theories: Net Income Approach, -Net Operating Income Approach, -Traditional Approach and Modigliani Miller approach.

Examples/Applications/Case Studies:

- [Example on Operating Leverage-Financial Leverage]
- [Example on Capital Structure theories]

Exercises/Projects:

- [Exercise on Net Income Approach]
- [Exercise on Net Operating Income Approach]

Specific Resources: (web)

<https://www.taxmann.com/post/blog/capital-structure>

Unit – 3: Dividend Theories

(15Hrs)

Nature of Dividend decisions -Factors affecting Dividend Decisions-Dividend policies, Forms of Dividends-Dividend theories- Walter’s theory-Gordon’s theory-MM theory. (Problems)

Examples/Applications/Case Studies:

- [Example on Factors affecting Dividend Decisions]
- [Example on Dividend policies]

Exercises/Projects:

- [Project on Walter’s theory]
- [Project on MM theory]

Specific Resources: (web)

<https://testbook.com/ugc-net-commerce/walters-model>

Unit – 4: Overview of Working Capital

(15Hrs)

Meaning and concepts -Determinants of working capital-Issues in working capital management- Estimating working capital needs-Working capital cycle-Estimation of working capital (Problems)

Examples/Applications/Case Studies:

- Example on Estimating working capital needs
- Example on Estimating working capital cycle

Exercises/Projects:

- Exercise on Determinants of working capital
- Exercise on Issues in working capital management

Specific Resources: (web)

<https://www.taxmann.com/post/blog/working-capital-management-estimation-and-calculation>

Unit – 5: Cash & Inventory Management: (15Hrs)

Cash management- Motives of holding cash -Objectives of cash Management-Computation of Optimum cash management.

Receivables management: Meaning and Objectives -Credit policy -Inventory management: Objectives -costs and risks of holding inventory-tools and techniques of inventory control.

Examples/Applications/Case Studies:

- [Example on ascertaining Optimum cash management]
- [Example on Inventory management]

Exercises/Projects:

- Project on Credit policy
- Exercise on techniques of inventory control

Specific Resources: (web)

<https://www.netsuite.com/portal/resource/articles/inventory-management/what-are-inventory-management-controls.shtml>

Text Books:

1. I.M. Pandey, (2021). Financial Management (12th edition) Pearson's Publications

References:

1. P. Viswanadham, & N.K. Mahesh, (2016), Financial Management, 1st edition, Himalaya
2. Cozby, P. C., & Bates, S. (2017). Methods in behavioral research (13th ed.). Mc Graw Hill Education.



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SEMESTER -END QUESTION PAPER STRUCTURE

Course Code :	23FIMAL231
Title of the Course	FINANCIAL MANAGEMENT
Offered to:	B.COM HONOURS FINANCE
Category:	SEMESTER: 3
Max. Marks	70
Max. Time	3 Hrs

Section A

Answer the following questions. Each question carries 4 Marks.

5 x 4 = 20

Q1 (a) Explain the term capital budgeting. CO1 K2

OR

(b) Purpose of capital budgeting. CO1, K2

Q2 (a) What is meant by leverage? CO2, K1

OR

(b) What is meant by operating leverage? CO2, K1

Q3 (a) What is dividend? CO3, K1

OR

(b) What is Scrip dividend. CO3, K1

Q4 (a) Define working capital. CO4, K1

OR

(b) Define Components of working capital. CO4, K1

Q5 (a) Explain the motives of holding cash. CO5, K1

OR

(b) What is meant by inventory management? CO5, K1

Section B

Answer all questions. Each question carries 10 Marks.

5 x 10 = 50

Q6 (a) Explain the techniques of capital budgeting. CO1, K2

OR

(b) . From the following information calculate the Net Present Value of the two projects and suggest which of the two projects should be accepted assuming a discount rate of 10%.

Particulars	Project X	Project Y
Initial investment	Rs 20000	Rs 30000
Estimate life	5 years	5 years
Scrap value	Rs. 1000	Rs. 2000

The profit before depreciation and after-tax cash flow are as follows.

Years	1	2	3	4	5
Project X	5000	10000	10000	3000	2000
Project Y	20000	10000	5000	3000	2000

CO1, L3

Q7 (a) Compare Net Income and Net Operating Income Approach in the capital Structure. **CO2, K2**

OR

(b) Sales 960000, variable cost 560000, fixed cost 240000, interest 60000, tax rate 50%.

Calculate Operating leverage, financial leverage, and Combined leverage. **CO2, K3**

Q8 (a) Explain the Nature and Factors affecting dividend decisions. **CO3, K3**

OR

(b) The cost of capital and the rate of return on investment of MRM Limited are 10% and 15% respectively. The company has 1 million equity share of rupees 10 each outstanding and earnings per share is Rs. 5. The value of the firm in the following situations. Use Walters model comment on the results.

a. 100% retention b. 50% retention c. No retention. **CO3, K3**

Q9 (a) Explain the concepts and determinants of working capital. **CO4, K3**

OR

(b) ABC Limited supplies the following information. Estimate its working capital requirement at a level of activity of 20000 units p.a.

Elements of cost	per unit Rs.
Raw materials	50
Labour	30
Overhead	<u>20</u>
Total cost	<u>100</u>
Profit	25
Price	125

Additional information

Raw materials in stock on an average for 2 months

Material in progress on an average one month

Finished goods are stocked for three months

Credit to customers 3 months whereas suppliers allowed 2 months credit

Wages and overheads are delayed by half month

Cash hand is estimated at 100000. **CO4 K3**

Q10 (a) What is cash management? Explain the objectives of cash management. **CO5 K2**

OR

(b) Explain the various tools and techniques of inventory control. **CO5 K2**