



**PARVATHANENI BRAHMAYYA  
SIDDHARTHA COLLEGE OF ARTS & SCIENCE**

*Autonomous*

Siddhartha Nagar, Vijayawada-520010

*Re-accredited at 'A+' by the NAAC*

|                                            |          |                |          |                                             |          |                 |          |
|--------------------------------------------|----------|----------------|----------|---------------------------------------------|----------|-----------------|----------|
| <b>Course Code</b>                         |          |                |          | <b>23FIMIL231</b>                           |          |                 |          |
| <b>Title of the Course</b>                 |          |                |          | <b>FUNDAMENTALS OF FINANCIAL MANAGEMENT</b> |          |                 |          |
| <b>Offered to: (Programme/s)</b>           |          |                |          | <b>Minor- Finance</b>                       |          |                 |          |
| <b>L</b>                                   | <b>5</b> | <b>T</b>       | <b>0</b> | <b>P</b>                                    | <b>0</b> | <b>C</b>        | <b>4</b> |
| <b>Year of Introduction:</b>               |          | <b>2024-25</b> |          | <b>Semester:</b>                            |          | <b>3</b>        |          |
| <b>Course Category:</b>                    |          | <b>MINOR</b>   |          | <b>Course Relates to:</b>                   |          | <b>NATIONAL</b> |          |
| <b>Year of Revision:</b>                   |          |                |          | <b>Percentage:</b>                          |          |                 |          |
| <b>Type of the Course:</b>                 |          |                |          | <b>EMPLOYABILITY</b>                        |          |                 |          |
| <b>Crosscutting Issues of the Course :</b> |          |                |          | <b>-</b>                                    |          |                 |          |
| <b>Pre-requisites, if any</b>              |          |                |          |                                             |          |                 |          |

**Course Description:**

**Overview - Fundamentals of Financial Management** is a core course designed to provide a comprehensive understanding of the financial decision-making process within an organization. It explores the essential concepts, principles, and tools used to manage an organization's finances effectively. The course covers a wide range of topics, from financial planning and analysis to investment and financing decisions.

**Course Aims and Objectives:**

| <b>S.NO</b> | <b>COURSE OBJECTIVES</b>                                                                           |
|-------------|----------------------------------------------------------------------------------------------------|
| <b>1</b>    | To develop a strong foundation in financial management concepts and principles.                    |
| <b>2</b>    | To enhance analytical and decision-making skills in financial matters.                             |
| <b>3</b>    | To equip students with the ability to apply financial knowledge to real-world business situations. |
| <b>4</b>    | To understand the role of finance in achieving organizational goals.                               |
| <b>5</b>    | Raising funds through various sources and determining the optimal capital structure.               |

## Course Outcomes

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

| CO NO | COURSE OUTCOME                                                                                    | BTL | PO | PSO |
|-------|---------------------------------------------------------------------------------------------------|-----|----|-----|
| CO1   | Understand the basic concepts of financial management and its relationship with other disciplines | K1  | 2  | 2   |
| CO2   | Illustrate various tools of financial planning.                                                   | K2  | 2  | 2   |
| CO3   | Assess the concept of time value of money                                                         | K2  | 2  | 2   |
| CO4   | Develop an idea about multiple sources of finance.                                                | K2  | 2  | 2   |
| CO5   | Understand the computation of the cost of capital.                                                | K3  | 2  | 2   |

## CO-PO MATRIX

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

## Course Structure:

### Unit – 1: Scope and Objective of Financial Management

(15 Hrs)

#### Content:

Meaning and Definition of Financial Management - Evolution of Financial Management - Nature, Scope and Importance of Financial Management - Goals/Objectives of Financial Management - Conflicts in Profit Maximization and Wealth Maximization - Role and Functions of Financial Manager - Relationship of Financial Management with related disciplines.

#### Case Study: The Small Bakery

#### Background

A small, local bakery, "Sweet Treats," is struggling to meet its financial obligations. Despite consistent customer traffic and good-quality products, the bakery is facing cash flow issues.

#### Problem

The owner, Sarah, is unsure how to allocate her limited financial resources. She is unsure whether to invest in new baking equipment, hire additional staff, or focus on paying off existing debts.

**Weblinks:** <https://www.vedantu.com/commerce/scope-of-financial-management>

## Unit – 2: Financial Planning

(12 Hrs)

### Content:

Meaning and Definition of Financial plan - Objectives of Financial plan - Characteristics of a sound financial plan - Process of financial plan – Long-term and Short-term Financial Plans - Factors Affecting Financial Plan - Limitations.

### Case Study: The Young Professional

#### Client Profile

- **Name:** Ria, **Age:** 28, **Occupation:** Marketing Executive, **Income:** ₹600,000 per annum, **Lifestyle:** Moderate spender, enjoys travel and dining out.
- **Goals:** Buy a house in 5 years, start investing for retirement, save for a vacation fund

**Financial Situation:** Assets: Savings account with ₹200,000, a car loan with an outstanding balance of ₹300,000. **Liabilities:** Car loan

**Insurance:** Basic health insurance provided by employer

**Financial Challenges:** Building an emergency fund, Managing debt and increasing savings, Planning for long-term goals like buying a house and retirement.

**Weblinks:** [https://www.investopedia.com/terms/f/financial\\_plan.asp](https://www.investopedia.com/terms/f/financial_plan.asp)

## Unit – 3: Time Value of Money

(16 Hrs)

### Content:

Concept of time value of money - Reasons why money in the future is worth less than similar money today - Simple interest, Compound interest, and Effective rate of interest - Present value, Future value - Annuity, Sinking fund - Determination of doubling period.

### Case Study: The Power of Delayed Gratification

**The Scenario:** Alex, a 25-year-old software engineer, has received a year-end bonus of ₹100,000. He has two options:

- **Option A:** Spend the entire amount on a vacation and new gadgets.
- **Option B:** Invest the entire amount in a mutual fund that historically provides an average annual return of 12%.

**Weblinks:** [https://en.wikipedia.org/wiki/Time\\_value\\_of\\_money](https://en.wikipedia.org/wiki/Time_value_of_money)

## Unit – 4: Sources of Finance

(12 Hrs)

### Content:

Meaning of Sources of Finance – Classification of Sources of Finance - Long-term Sources of Finance – (Equity Capital – Features, Preference Share Capital – Features and Types, Meaning of Retained Earnings, Debentures (Meaning and Types), Bonds (Meaning and Features, Types), Loans from Financial Institutions, Loans from Commercial Bank - Short-term Sources of Finance – Meaning & Features (Call Money, Treasury Bills, Commercial Bill, Collateral Loan Management, Commercial Papers, Certificate of Deposit.)

### **Exercise 1: Choose the Best Source**

A small business owner wants to expand her shop. She needs ₹500,000. Which source of finance would be most suitable for her:

- A bank loan
- Issuing equity shares
- Seeking venture capital

**Weblinks:** <https://byjus.com/commerce/sources-of-business-finance/>

### **Unit – 5: Cost of Capital**

**(20 Hrs)**

#### **Content:**

Meaning of Measurement of Cost of Capital - Cost of Debt, Cost of Preference Shares, Cost of Equity, Cost of Retained Earnings – Weighted Average Cost of Capital (WACC - Simple Problems).

#### **Case Study 1: Technology Startup**

**Scenario:** A tech startup is seeking funding to develop a new product.

#### **Challenges:**

- ✓ High-risk venture with uncertain cash flows
- ✓ Determining the appropriate cost of equity due to lack of historical data

**Weblinks:** <https://www.bajajfinserv.in/what-is-cost-of-capital>

#### **Text Books:**

1. I.M. Pandey, 2015, Fundamentals of Financial Management, 15<sup>th</sup> Edition, Pearson.
2. James C. Van Horne, John M. Wachowicz, Jr. 2010, Fundamentals of Financial Management, 11<sup>th</sup> Edition, Pearson.
3. Khan M.Y. and Jain P.K, Financial Management, Text and Problems, Tata McGraw Hill, New Delhi.
4. C.B. Gupta, 2018, Financial Management, 2018 Edition, Sultan Chand Publishers.

#### **References:**

1. I.M. Pandey, 2015, Fundamentals of Financial Management, 15<sup>th</sup> Edition, Pearson.
2. Khan M.Y. and Jain P.K, Financial Management, Text and Problems, Tata McGraw Hill, New Delhi.
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### SEMESTER -END QUESTION PAPER STRUCTURE

|                            |                                             |
|----------------------------|---------------------------------------------|
| <b>Course Code:</b>        | <b>23FIMIL231</b>                           |
| <b>Title of the Course</b> | <b>FUNDAMENTALS OF FINANCIAL MANAGEMENT</b> |
| <b>Offered to:</b>         | <b>B.Com Hons</b>                           |
| <b>Category:</b>           | <b>Minor –Finance</b>                       |
| <b>Max. Marks</b>          | <b>70</b>                                   |
| <b>Max. Time</b>           | <b>3 Hrs</b>                                |

### Section - A

**Answer the following questions**

**5 X 4M = 20M**

1. (a) What is financial management? State its objectives. (CO1, K1)

OR

- (b) Explain the importance of financial management. (CO1, K1)

2. (a) What are the objectives of the financial plan? (CO2, K2)

OR

- (b) Explain the need for short-term plans. (CO2, K2)

3. (a) Explain the concept of the time value of money. (CO3, K2)

OR

- (b) Explain the concept of simple and compound interest. (CO3, K2)

4. (a) What are the short-term sources of finance? (CO4, K3)

OR

- (b) What do you mean by equity share capital and preference share capital? (CO4, K3)

5. (a) Explain the concept of cost of capital. (CO5, K4)

OR

- (b) What is the weighted average cost of capital? (CO5, K4)

## Section - B

**Answer the following questions**

**5 X 10M = 50M**

6. (a). Define financial management. Explain the relationship with other areas of management. (CO1, K2)  
OR  
(b). Explain the role and functions of the finance manager. (CO1, K2)
7. (a). Define financial plan. Describe the characteristics of a sound financial plan. (CO2, K2)  
OR  
(b). What is a long-term financial plan? Discuss the factors affecting the financial plan. (CO2, K2)
8. (a). If you deposit Rs 55,650 in a bank that pays 12% interest per annum on a 10-year deposit. How much would the deposit grow at the end of 10 years? (CO3, K3)  
OR  
(b). Find out the present value of Rs 50,000 to be received after 5 years with the rate of interest is 8%pa. (CO3, K3)
9. (a). Explain the various sources of finance. (CO4, K3)  
OR  
(b). “Commercial banks provide only short-term finance”. Explain. (CO4, K3)
10. (a). Define the cost of capital. How will you determine the cost of capital from different sources? (CO5, K4)  
OR  
(b). A firm has the following capital structure and after-tax cost for the different sources of funds used: You are required to compute the weighted average cost of capital. (CO5, K4)

| Sources of Funds   | Amount (Rs.) | Proportion (%) | After-Tax Cost (%) |
|--------------------|--------------|----------------|--------------------|
| Debt               | 15,00,000    | 25             | 5                  |
| Preference Capital | 12,00,000    | 20             | 10                 |
| Equity Capital     | 18,00,000    | 30             | 12                 |
| Retained Earnings  | 15,00,000    | 25             | 11                 |
| Total              | 60,00,000    | 100            |                    |

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