

Approval: 9th Senate Meeting

Course Number:	HS-450
Course Name:	Financial Management
Credits:	3-0-0-3
Prerequisites:	Preferably Financial Accounting
Intended for:	UG/PG
Distribution:	Elective
Semester:	Odd/Even

Preamble:

Financial Management cuts through all theoretical barriers that separate disciplines in the sense that all organizations, be it for-profit or not-for-profit, require finance to function and must master the art of financial management to survive. While social enterprises need to focus on staying sustainable, corporate enterprises need to ensure that they make profits sufficient enough to fund their future growth. Further, not only the existing organizations, but also the ones to come up in future i.e. start ups depend entirely upon financial viability of ideas they intend to bring about. It is in this context that one needs to learn fundamental principles of financial management which are aimed at ‘creating value for all stakeholders’ by answering following three questions: Where to invest the funds? Where to get the funds from? What to do with profits earned?

Course Outline:

In business, you are always faced with choices and you need to choose one over all others. Each choice has financial implications some of which are obvious while others are not. Evaluation of choices calls for an objective analysis. **In this course**, we learn to put a value to every choice that a corporate firm has in regular course of business. We attempt to acquire financial intuition embedded in financial decisions and learn the nitty-gritty of related strategic aspects through class discussion, distinguished business case studies and problem solving sessions.

Course Modules:

UNIT 1: INTRODUCTION TO FINANCE FUNCTION

Corporate form of business, Reading financial statements, Financial decision making, Profit maximization versus wealth maximization debate, Time value of money, Interest rates, Term structure and yield curve **[8 Hours]**

UNIT II: INVESTMENT DECISIONS

Rules for investment decision making, Free Cash Flow calculation, Investment in shares and bonds **[10 Hours]**

UNIT III - RISK AND RETURN

Introduction to capital market and risk pricing, Capital asset pricing model, Estimation of cost of capital: Cost of equity and debt **[6 Hours]**

UNIT IV: FINANCING DECISIONS

Capital structure in perfect and imperfect markets, implication of debt and taxes on capital structure, Financial Distress, Managerial Incentives **[8 Hours]**

UNIT V: DIVIDEND DECISIONS

Payout process and policies, Dividend versus share repurchase, Payout versus retention, Signaling with payout, Taxes and dividend **[6 Hours]**

UNIT VI: OTHER STRATEGIC FINANCIAL DECISIONS

Short term financial planning, working capital management, Initial public offers, Strategic alternatives in Mergers and acquisitions, Corporate governance **[4 Hours]**

Text Book:

1. “Financial Management”, Berk, DeMarzo and Thampy, Indian Subcontinent Edition, Pearson Education (India), 2010

Reference Books

1. “Financial Management: Theory and Practice”, Prasanna Chandra, 8th edition, McGraw Hill Education (India), 2012
2. “Case Problems in Finance”, Kester, Ruback and Tufano, 12th edition, McGraw Hill, 2008
3. “Case Studies in Finance: Managing for Corporate Value Creation”, Robert F. Bruner, McGraw Hill International Edition, 2006

