

FINC 1002	Financial Management	L	T	P	C
Version 1.0		3	0	0	3
Pre-requisites/Exposure	Basic knowledge of Fundamentals of Financing and Accounting such as calculation of cost, revenue and profit				
Co-requisites	Knowledge of classification of data, data presentation				

Course Objectives

1. Provide an in-depth view of the process in financial management of the firm
2. Develop knowledge on the allocation, management and funding of financial resources.
3. Improving students' understanding of the time value of money concept and the role of a financial manager in the current competitive business scenario.
4. Enhancing student's ability in dealing short-term dealing with day-to-day working capital decision; and also longer-term dealing, which involves major capital investment decisions and raising long-term finance.

Course Outcomes

On completion of this course, the students will be able to

- CO1. Demonstrate an understanding of fundamental financial concepts, especially time value of money.
- CO2. Evaluate capital budgeting projects using traditional methods.
- CO3. Describe the main ways of raising capital and their respective advantages and disadvantages in different circumstances

Catalog Description

Finance considers the requirements for financial information both external and internal to the organisation and the role of finance professionals as key players in a dynamic and ever-changing business environment, encompassing key decisions and the fundamental principles of Business.

Classroom activities including lectures, discussions and case studies (topped up with role play) will be designed to encourage students to get involved, absorb and assimilate inputs. These activities will also be supplemented by group discussions, cooperative group solving problems, live projects, analysis of video cases and debates.

Class participation is a fundamental aspect of this course. Students will be encouraged to actively take part in all group activities and to give an oral group presentation. Students will be expected to interact with media resources, such as, web sites, videos, DVDs, and newspapers etc.

Course Content

UNIT 1: Introduction to Finance

7 Hours

Introduction to three important decisions - investment decision, financing decision, dividend policy decision, scope and objectives of financial management, time-value of money, risk-return trade-off

UNIT 2: Financing Decision

7 Hours

Financing Decision: Concept and types of cost of capital, cost of various sources of finance, weighted average cost of capital, study of operating, financial and combined leverage, EBIT-EPS Analysis, Sources of Finance, Indian Financial System – SEBI, Stock Markets, and other participants

UNIT 3: Long term investment Decision

8 Hours

Investment Decision: Concept, nature of capital budgeting, determination of relevant cash flows, capital budgeting techniques & their limitations-Traditional vs. Discounted techniques

UNIT 4: Dividend Decision

7 Hours

Dividend Policy Decision:- Theories of relevance and irrelevance of dividends, dividend-payout ratio, stability of dividends, legal, contractual and internal constraints and restrictions

UNIT 5: Working Capital Management

7 Hours

Working Capital Management: Gross vs. net working capital, need, determinants of working capital, Management of Cash: Nature, Motives for holding cash, Determining Optimum Cash Balance, Cash Management Models, Receivables Management: Cost of maintaining Receivables. Factors Influencing Receivables. Meaning, Objects and Dimensions of Receivable Management, Inventory Management

TEXT BOOKS

1. Pandey, I.M., (2015), "*Financial Management*", 11th Edition, Vikas Publication, New Delhi.
2. Sinha, Pradeep Kumar, (2009), "*Financial Management*", 5th Edition, The World Press, Calcutta.

REFERENCE BOOKS

1. Chandra, Prasanna, (2011), "*Financial Management Theory and Practice*", 8th Edition, TMH, New Delhi.
2. Vanhorne, J, (2015), "*Financial Management & Policy*", 13th Edition, Pearson Education, Delhi.
3. Brealey and Myers, (2017), "*Principles of Corporate Finance*", 10th Edition, McGraw Hill, India.

Modes of Evaluation: Quiz/Assignment/ presentation/ extempore/ Written Examination Examination Scheme:

Components	MSE	IA	ESE
Weightage (%)	20	30	50
		<ul style="list-style-type: none">• Case Presentation (30 Marks)• Online Assignments (40 Marks)• Quiz (30 Marks)	

Relationship between the Course Outcomes (COs) and Program Outcomes (POs)

Mapping between COs and POs		
	Course Outcomes (COs)	Mapped Programme Outcomes
CO1	Demonstrate an understanding of fundamental financial concepts, especially time value of money.	PO 1, 2, 4, 8,9,12
CO2	Evaluate capital budgeting projects using traditional methods	PO 2,3,4,8,7,8
CO3	Describe the main ways of raising capital and their respective advantages and disadvantages in different circumstances	PO 3,4,6,8, 9, 12

Program Outcome / Course Outcome mapping


Course Outcomes	CO 1	CO 2	CO 3
PO 1	3	3	3
PO 2	3	3	3
PO 3	3	3	3
PO 4	3	1	1
PO 5	2	2	1
PO 6	2	2	2
PO 7	3	3	1
PO 8	3	3	3
PSO 9	3	3	3
PSO 10	3	3	3
PSO 11	3	3	3
PSO 12	1	1	1

FIN C 100 2	Financial managem ent	PO 1	Students will demonstrate strong conceptual knowledge of management & its functional areas.
		PO 2	Students will demonstrate effective oral and written communication skills in the professional context.
		PO 3	Students will be able to work effectively in teams and demonstrate team-building capabilities.
		PO 4	Students will be able to evaluate the legal, social and economic environments of business.
		PO 5	Students will be able to describe the global environment of business.
		PO 6	Students will demonstrate sensitivity towards ethical and moral issues and have ability to address them in the course of business.
		P O 7	Students will be able to apply decision-support tools to business decision making.
		PO 8	Students will be able to apply knowledge of business concepts and functions in an integrated manner.
		PSO 9	Students will demonstrate conceptual domain knowledge of the logistics sector.
		PSO 10	Students will apply decision-support tools to decision making in logistics sector.
		PSO 11	Students will apply conceptual knowledge of logistics sector in an integrated manner.
		PSO1 2	Students will demonstrate employable and deployable skills for appropriate roles in management.

		3	3	3	2	2	2	2	3	2	3	3	2
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- 1 – Weakly mapped**
- 2 – Moderately mapped**
- 3 – Strongly mapped**

Model Question Paper

Name: Enrolment No:			
Course: FINC 1002: FINANCIAL MANAGEMENT Programme: BBA Semester: EVEN- 2017-18 Time: 03 hrs. Max. Marks: 100			
Instructions: Attempt all questions from Section A (each carrying 1 marks); all Questions from Section B (each carrying 15 5marks); all questions from Section C (each carrying 10 marks); all questions from Section D (each carrying 30 marks)			
SECTION A (Attempt all questions)			
1.	Amex Corporation finances with an equal mix of debt and equity. In consideration of new projects proposed, the company can issue 8% debt and estimate that their required rate of return on common equity is 20%. With a 40% tax rate, what is the WACC for Amex?	[1]	CO3

2.	Which of the following is a method of rising funds from existing shareholders? a) Bonus shares b) Euro issues c) Right issue	[1]	CO1
3.	The dividend decisions are concerned with: a) Determination of quantum of profits to be distributed to the owners b) The frequency of such payments c) The amounts to be retained by the firm d) All of the above	[1]	CO2
4.	Which of the following is not an external source of finance? a) Bank overdraft b) Lease finance c) Retained earning	[1]	CO1
5.	Walter's model suggests for 100% DP ratio when: a) $K_e = r$ b) $K_e < r$ c) $K_e > r$ d) $K_e = 0$	[1]	CO3
6.	NPV and IRR	[1]	CO1
7.	Cost of capital refers to: a) Flotation cost b) Dividend c) Required rate of return d) None of above	[1]	CO2
8.	Operating cycle is a technique of: a) Working capital management b) Receivables management c) Inventory Management	[1]	CO3
9.	Return is calculated by	[1]	CO3
10.	2/10, net 20	[1]	CO1
11.	Cost of Capital is	[1]	CO2
12.	Letter of credit	[1]	CO1
13.	Cost of retain earnings	[1]	CO3
14.	IRR is	[1]	CO1
15.	ROI	[1]	CO2
16.	Leverage	[1]	CO1
17.	Cost of capital refers to: a) Flotation cost b) Dividend c) Required rate of return d) None of above	[1]	CO3
18.	In case the firm is all equity financed, WACC would be equal to a) Cost of debt b) Cost of equity c) neither (a) nor (b) d) None of above	[1]	CO3
19.	Payback period is	[1]	CO2
20.	Reorder level	[1]	CO3
SECTION B (Attempt all questions)			
21.	What are the different ways in which company can declare dividend?	[5]	CO3
22.	Consider the following information for Bombay Enterprise:	[5]	CO2

	<p>EBIT Rs 1,120 lakhs</p> <p>PBT Rs 320 lakhs</p> <p>Fixed Cost Rs 700 lakhs</p> <p>Calculate percentage change in earnings per share if sales increased by 5%.</p>																																						
23.	<p>The finance department of a corporation provides the following information:</p> <p>i. The carrying cost per unit of inventory are Rs 10</p> <p>ii. The fixed costs per order are Rs 20</p> <p>iii. The number of units required is 30,000 per year.</p> <p>Determine the EOQ, total number of orders in a year and the time gap between two orders</p>	[5]	CO3																																				
24.	a. Briefly explains the factors that influence the planning of the capital structure in practice	[5]	CO2																																				
SECTION C (Attempt all questions)																																							
25.	“The equity share is different from a preference share.” Illustrate in the light of preferences available to preference shareholders.	[10]	CO2																																				
26.	Examine the role of bank credit in financing of working capital. What are the types of bank credit?	[10]	CO3																																				
27.	<p>ITC ltd has decided to purchase a machine to augment the company’s installed capacity to meet the growing demand for it product. There are three machine under consideration of the management. Relevant details including estimated yearly expenditure and sales are given below. All sales are on cash basis. Tax rate is 40%.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Machine</th> <th style="width: 25%;">1</th> <th style="width: 25%;">2</th> <th style="width: 25%;">3</th> </tr> </thead> <tbody> <tr> <td>Initial investment</td> <td>300,000</td> <td>300,000</td> <td>300,000</td> </tr> <tr> <td>Estimated annual sales</td> <td>500,000</td> <td>400,000</td> <td>450,000</td> </tr> <tr> <td>Cost of production</td> <td></td> <td></td> <td></td> </tr> <tr> <td> Direct material</td> <td>40,000</td> <td>50,000</td> <td>48,000</td> </tr> <tr> <td> Direct labour</td> <td>50,000</td> <td>30,000</td> <td>36,000</td> </tr> <tr> <td> Factory overheads</td> <td>60,000</td> <td>50,000</td> <td>58,000</td> </tr> <tr> <td> Administration cost</td> <td>20,000</td> <td>10,000</td> <td>15,000</td> </tr> <tr> <td> Selling and distribution cost</td> <td>10,000</td> <td>10,000</td> <td>10,000</td> </tr> </tbody> </table> <p>The economic life of Machine 1 is 2 years while it I 3 years for the other two. The scrap value is R 40,000, R 25,000 and Rs 30,000 respectively. Find out the most profitable investment based on “payback period”</p>	Machine	1	2	3	Initial investment	300,000	300,000	300,000	Estimated annual sales	500,000	400,000	450,000	Cost of production				Direct material	40,000	50,000	48,000	Direct labour	50,000	30,000	36,000	Factory overheads	60,000	50,000	58,000	Administration cost	20,000	10,000	15,000	Selling and distribution cost	10,000	10,000	10,000	[10]	CO3
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SECTION D(Attempt all questions)																																							
28.	India Ltd. is a famous manufacturer and exporter of handicraft to other continents. The finance manager of the company is preparing its working capital forecast for the next year. After carefully screening all the documents, and collected the following information:	[30]	CO2, CO3																																				

	<p>Production during the previous year was 1,500,000 units. The same level of activity is intended to be maintained during the current year. The expected ratios of cost to selling price are:</p> <p style="padding-left: 40px;">Raw material 40%; direct wages 20%; overheads 20%</p> <p>The raw materials ordinarily remain in stores for 3 months before production. Every unit of production remains in the process for 2 months and is assumed to be consisting of 100% raw material, wages and overheads. Finished goods remain in warehouse for 3 months. Credit allowed by the creditors is 4 months from the date of the delivery of raw material and credit given to debtors is 3 months from the date of dispatch.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 40px;">Estimated balance of cash to be held</td> <td style="text-align: right;">R 200,000</td> </tr> <tr> <td style="padding-left: 40px;">Lag in payment of wages</td> <td style="text-align: right;">half month</td> </tr> <tr> <td style="padding-left: 40px;">Lag in payment of expense</td> <td style="text-align: right;">half month</td> </tr> </table> <p>Selling price is Rs 10 per unit. Both production and sales are in a regular cycle. You are required to make a provision of 10% for contingency (except cash). Relevant assumptions may be made.</p> <p>You have recently joined the company as finance manager. The job of preparing the forecast statement has been given to you. You are required to prepare the forecast statement.</p>	Estimated balance of cash to be held	R 200,000	Lag in payment of wages	half month	Lag in payment of expense	half month		
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