

FINC 7012	Financial Management in LSCM Sector	L	T	P	C
Version 1.0		4	0	0	4
Pre-requisites/Exposure	Basic knowledge of Fundamentals of Finance such as calculation of Present Value, Future Value, Excel Modelling				
Co-requisites	Knowledge of classification of data, data presentation				

Course Objectives

1. To help the students to develop cognizance of the importance of Financial Management in corporate valuation
2. To enable students to describe how people analyze the corporate leverage under different conditions and understand why people value different corporates in different manner.
3. To provide the students to analyze specific characteristics of Supply Chain Industry and their future action for cash flow
4. To enable students to synthesize related information and evaluate options for most logical and optimal solution such that they would be able to predict and control Debt Equity incurrence and improve results.

Course Outcomes

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

- CO1. Demonstrate the applicability of the concept of Financial Management to understand the managerial Decisions and Corporate Capital Structure
- CO2. Apply the Leverage and EBIT EPS Analysis associate with Financial Data in the corporate
- CO3. Analyse the complexities associated with management of cost of funds in the capital Structure
- CO4. Demonstrate how the concepts of financial management and investment, financing and dividend policy decisions could integrate while identification and resolution of problems pertaining to LSCM Sector
- CO5. Demonstrate how risk is assessed

Catalog Description

The main objective of Financial Management in LSCM Sector is to help students to acquire and develop skills to take rational decisions in the process of Financing mix and assessment of Price Earnings Ratio. Wealth maximizations have always been regarded as important in financial analysis in organizations.

Leverage aspects are critical in each aspects of management and equally so for the effective management of Financial Resources. In view of Cost of Capital has assumed great importance. This course is designed primarily for students who are being exposed to capital structure , Cost of Capital, Working Capital for the first time.

This course covers the explanations about the Financial Management concepts in the organizational context, it details the impact of Source of Funding, EBIT EPS, PAT on Financial Statement. The course also focuses on understanding of identification of Financing Cost and framing of strategies and scenarios required to select and develop product line.

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

UNIT – VI**8 Lecture Hours*****Introduction to Working Capital and Domain Industry Finance***

Concept, Definition Need, Types and determinants of working Capital, Estimation & Financial Working Capital
LSCM Industry Financial 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/ Project submission/ presentation/ Class room and case discussion/ Written Examination

Examination Scheme:

Components	Quizzes	Case Study and class discussion	Group Project Presentation/ Submission	ESE
Weightage (%)	10	20	20	50

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

Mapping between COs and POs		
	COURSE OUTCOMES (COs)	POs
CO 1	Demonstrate the applicability of the concept of Financial Management to understand the managerial Decisions and Corporate Capital Structure	PO 1,2, 3,4,7,8,9,10, 11,13, 14
CO 2	Apply the Leverage and EBIT EPS Analysis associate with Financial Data in the corporate	PO 1,2, 3, 7,8,9,10, 11,14
CO 3	Analyse the complexities associated with management of cost of funds in the capital Structure	PO 1,2, 3, 8,9,10, 11, 13,14
CO 4	Demonstrate how the concepts of financial management and investment, financing and dividend policy decisions could integrate while identification and resolution of problems pertaining to LSCM Sector	PO 4,5, 8,12,13, 14
CO 5	Demonstrate how risk is assessed	PO 1,2,3,4,5,8,9,10,11

Program Outcome / Course Outcome mapping


Course Outcomes	CO 1	CO 2	CO 3	CO 4	CO5
PO 1	3	3	3	2	3
PO 2	3	3	3	2	3
PO 3	3	3	3	2	3
PO 4	3	1	1	3	3
PO 5	2	2	1	3	1
PO 6	1	1	1	1	1
PO 7	3	3	1	2	2
PO 8	3	3	3	3	3
PSO 9	3	3	3	1	1
PSO 10	3	3	3	2	1
PSO 11	3	3	3	2	2
PSO 12	1	1	1	3	2
PSO 13	3	1	3	3	3

PSO 14	3	3	3	3	3
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Course Code	Course Title	PO 1	PO 2	PO 3	PO 4	PO 5	PO 6	PO 7	PO 8	PSO 9	PSO 10	PSO 11	PS12	PSO 13	PS O14
FINC 7012	Financial Management in LSCM Sector	3	3	3	2	2	1	3	3	2	2	3	2	3	3
		Students will be able to develop and evaluate alternate managerial decisions and identify optimal solutions	Students will demonstrate effective application capabilities of their conceptual understanding to the real world business situations	Students will be able to exhibit effective decision making skills, employing analytical and critical thinking ability	Students will demonstrate effective oral and written communication skills in the professional context	Students will be able to work effectively in teams and demonstrate team building capabilities	Students will exhibit leadership and networking skills while handling business situations	Students will demonstrate sensitivity towards ethical and moral issues and have ability to address them in the course of business	Students will demonstrate employability traits in line with the changing dynamics of the industry	Students will demonstrate strong conceptual knowledge in the functional area of management as well as LSCM domain	Students will demonstrate effective understanding of relevant functional areas of management and their application in LSCM	Students will demonstrate analytical skills in identification and resolution of business problems pertaining to LSCM & general management	Students will exhibit the ability to integrate functional areas of management with domain perspective for the purpose of planning, implementation & control of LSCM	Students will have global perspective towards business situations in the area of LSCM	Students will exhibit deployable skills pertinent to the LSCM sector

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

Model Question Paper

Name: Enrolment No:			
Course: FINC 7012– Financial Management in LSCM Sector Programme: MBA LSCM Semester: EVEN-2018-19 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 marks); any 3 questions from Section C (each carrying 10 marks); all questions from Section D (each carrying 30 marks)			
SECTION A (Attempt all questions)			
1.	If the percentage change in EPS is +80% and the percentage in EBIT is +40 %, the degree of Financial Leverage is	[1]	CO3
2.	Discount/Premium is computed as a % of	[1]	CO1
3.	If the investment of the machinery is Rs. 50000 and it will generate Rs. 10000 each year for 10 years, Pay Back Period is	[1]	CO2
4.	If EBIT is Rs. 1,00,000 and K_o is 15% then the value of V would be	[1]	CO4
5.	Company Mahan ltd. has EPS of Rs. 10 per share , Cost of Equity (Capitalization Rate) = 10%, Rate of Return on Investment = 15%, $b = 50\%$. The price per share as per Gordon Model is	[1]	CO3
6.	Price Increases with the Increase in the D/P ratio. This is the proposition of	[1]	CO1

7.	Gross Working Capital and Net Working Capital	[1]	CO2
8.	IRR and ARR	[1]	CO4
9.	Operating Leverage and Financial Leverage	[1]	CO3
10.	Market value of Equity is Rs. 20, 00,000 and the Market Value of Deb is Rs. 10,00,000 .Cost of Debt is 10% and Cost of equity is 15%. The Overall Cost of Capital is.....(Using $K_o = K_i (B/V) + K_e (S/V)$)	[1]	CO1
11	Bird in the hand argument as per Gordon model is defined as	[1]	CO2
12.	Operating Cycle is defined as	[1]	CO4
13.	Rate of Interest is 15% pa. Effectively Quarterly Compounding Rate is	[1]	CO3
14.	Beta as per CAPM model- Cost of Equity Calculation is defined as	[1]	CO1
15.	Capital Structure is defined as	[1]	CO2
16.	Net working capital is equal to	[1]	CO4
17.	Cost of Equity (As per Dividend Growth Model) is equal to	[1]	CO3
18.	Time Value of Money is defined as	[1]	CO1
19.	Net Operating Income of Capital Structure interprets that	[1]	CO2
20.	Unsystematic Risk is defined as	[1]	CO4
SECTION B (Attempt all questions)			
21.	How Capital Structure is constructed considering the impact on value of the firm and overall (WACC) cost of Capital using Net Income Approach of Capital Structure?	[5]	CO1
22.	(a) X deposits Rs. 2,00,000 in a Bank account which pays 10% interest. How much can be withdraw annually for a period of 15 years? (b) ABC Limited has just declared and paid dividend at the rate of 15% on the equity share of Rs. 100 each. The expected future growth in dividend is 12%. Find out the cost of capital for equity shares given that market value of the shares is Rs. 168	[5]	CO5
23.	What is Financial Management : What are various Functions of Financial Management	[5]	CO1
24.	ABC Company has debentures outstanding with 5 years maturity. The debentures are selling at Rs. 95 (Discount Rs. 5, Face Value Rs. 100). The Coupon Rate is 10% p.a. The Corporate Tax Rate is 30%. Floatation Cost is 5% of the Face Value. Calculate the Cost of Debentures	[5]	CO2
SECTION C (Attempt any 3 questions)			
25.	The annuity deposit scheme of PNB provides for fixed monthly income for suitable periods of the depositors choice. The rate of Interest is 12% p.a. which is compounded at quarterly intervals. If an initial deposit of Rs. 10,000 is made for an annuity period of 80 months, what is the amount of monthly annuity	[10]	CO2

26.	<p>(a) The EPS of TDC Company is Rs. 45. The company is examining to adopt dividend payout ratios of 50%, 75% and 100%. Calculate the market value of Company's share using Walter's model of dividend policy if the rate of return on investments is 20% given the Capitalization Rate (K_e) is 10%.</p> <p>(b) A firm sells the product at Rs. 200 per and variable cost is Rs. 100 per unit. Fixed Operating Costs of Rs. 1,00,000 per year. Given Sales Level is 8000 Units. Show the Degree of Operating Leverage if sales changes to 4000 Units and 12000 Units respectively</p>	[10]	CO4																				
27.	<p>(a) How Net Income Model of Capital Structure Functions with the increase as well as decrease in the ratio of Debt to Equity?</p> <p>(b) Explain the following:</p> <p>(i) Gordon Model of Dividend Policy</p> <p>(ii) Credit Policy</p> <p>(iii) Cost of Receivable Management</p>	[10]	CO5																				
28.	<p>Calculate the cost of Debt for each of the following situations:</p> <p>(a) Debentures are sold at par and floatation cost are 5 %</p> <p>(b) Debenture are sold at premium of 10% and flotation are 5%</p> <p>(c) Debentures are sold at Discount of 5% and flotation are 5%</p> <p>Assume the Coupon Rate of Interest on Debentures is 15%, Face Value of Debentures is Rs. 100, maturity is 10 years , tax rate is 35% in all the cases</p>	[10]	CO4																				
SECTION D (Attempt all questions)																							
29.	<p>Turbo Ltd. is desirous to purchase a business and has consulted you and one point on which you are asked to advise them is the average amount of working capital which will be required in the first years' working, You are given the following estimates and are instructed to add 10% to your computed figure to allow for contingencies</p> <table border="1" data-bbox="181 1213 1300 1890"> <thead> <tr> <th data-bbox="181 1213 820 1255">(i) Average amount backed up in stocks</th> <th data-bbox="820 1213 1300 1255">Amount for the year (Rs)</th> </tr> </thead> <tbody> <tr> <td data-bbox="181 1276 820 1318"> Stock of finished product</td> <td data-bbox="820 1276 1300 1318">10,000</td> </tr> <tr> <td data-bbox="181 1339 820 1381"> Stock of stores and materials</td> <td data-bbox="820 1339 1300 1381">16,000</td> </tr> <tr> <td colspan="2" data-bbox="181 1402 1300 1444">(ii) Average credit given</td> </tr> <tr> <td data-bbox="181 1465 820 1507"> Inland Sales, 6 weeks credit</td> <td data-bbox="820 1465 1300 1507">6,24,000</td> </tr> <tr> <td data-bbox="181 1528 820 1570"> Export Sales, 1.5 weeks credit</td> <td data-bbox="820 1528 1300 1570">1,56,000</td> </tr> <tr> <td colspan="2" data-bbox="181 1591 1300 1633">(iii) Average time lag in payment of wages and other outgoings</td> </tr> <tr> <td data-bbox="181 1654 820 1696"> Wages, 1.5 weeks</td> <td data-bbox="820 1654 1300 1696">5,20,000</td> </tr> <tr> <td data-bbox="181 1717 820 1759"> Stocks and materials , 1.5 months</td> <td data-bbox="820 1717 1300 1759">96,000</td> </tr> <tr> <td data-bbox="181 1780 820 1822"> Rent and Royalties, 6 months</td> <td data-bbox="820 1780 1300 1822">20,000</td> </tr> </tbody> </table>	(i) Average amount backed up in stocks	Amount for the year (Rs)	Stock of finished product	10,000	Stock of stores and materials	16,000	(ii) Average credit given		Inland Sales, 6 weeks credit	6,24,000	Export Sales, 1.5 weeks credit	1,56,000	(iii) Average time lag in payment of wages and other outgoings		Wages, 1.5 weeks	5,20,000	Stocks and materials , 1.5 months	96,000	Rent and Royalties, 6 months	20,000	[30]	CO5
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Stocks and materials , 1.5 months	96,000																						
Rent and Royalties, 6 months	20,000																						

	Clerical Staff, 0.5 month	1,24,800		
	Manager, 0.5 month	9600		
	Miscellaneous Expenses, 1.5 months	96000		
	(iv) Payment in advance			
	Sundry Expenses(paid quarterly in advance)	16,000		
	Undrawn profits on an average throughout the year	22,000		