

# **VEER NARMAD SOUTH GUJARAT UNIVERSITY**

## **M.COM. (PART - II)**

### **FINANCIAL MANAGEMENT**

**EFFECTIVE FROM**

**THE ACADEMIC YEAR JUNE 2000-2001**

#### **OBJECTIVE :-**

- (1) To acquaint the students with the principles & practices of management so as to enable them to develop an integrated approach to Financial Management.
- (2) To develop analytical and decision making attitude of the students through case studies.

#### **CONTENTS :-**

##### **(1) AN INTRODUCTION TO THE FINANCIAL SYSTEM :-**

Functions of financial system, financial instruments, some aspects of financial management environment. (A) Regulatory framework (B) direct taxes (C) Indirect taxes (D) Financing of import & exports (E) International financial Institutions.

##### **(2) (A) THEORIES OF CAPITAL STRUCTURE :-**

Assumptions & Definitions. Net Income approach. Traditional Approach. Modigliant - Miller Approach.

##### **(B) INVESTMENT DECISION - MAKING & RISK ANALYSIS :-**

Capital - Budgeting : Basics, Capital Rationing, going beyond the numbers, Risk analysis, Zero Based Budgeting (Z.B.B.)

##### **(3) RAISING LONG TERM FINANCE :-**

Changing complexion of the regulatory framework public issue, right issue, private placements, Warrants and convertible Debentures, Valuation motives, book building Credit Rating in India.

##### **WORKING OF FINANCIAL INSTITUTIONS :-**

Institutional structure, financial assistance, direct & indirect financing policies and norms, promotional activities, term loan procedure project appraisal.

## **UNDERSTANDING DEBT :-**

Risk in debt rating of debt security, innovations in debt securities, Bond convenents, Bond Refunding.

## **LEASING AND HIRE PURCHASE :-**

Types of lease arrangement, mechanics of leasing, evaluation of leasing evaluation of leasing a financing decision.

## **(4) WORKING CAPITAL MANAGEMENT :-**

### **CASE MANAGEMENT :-**

Cash Budgeting long term cash forecasting, monitoring collections & receivables, options and strategies for investing surplus funds.

### **CREDIT MANAGEMENT :-**

Account receivable management, terms of payment, credit variables, credit evaluation, credit - granting decisions, control of account receivables.

### **INVENTORY MANAGEMENT :-**

Need for inventories, monitories and control of inventories.

## **(5) ANALYZING FINANCIAL PERFORMANCE :-**

Financial Ratios, comparative analysis, Dupont analysis, applications of financial analysis, and problems in financial analysis : BEP, CVP.

### **LEVERAGES :-**

Operating leverages, Financial leverages, (total) Combined leverages.

## **(6) (i) CORPORATE RESTRUCTURING :-**

- (a) Acquisitions & Mergers, Reasons for mergers, Costs & benefits of a merger, purchase of a division / plant.
- (b) Sell offs & changes in ownership, Divestitures, spin, offs, split ups, going public, privatization leveraged buyouts, Buyback of shares, joint ventures.
- (c) Defense Mechanism against acquisition, mergers and takeovers with the help of financial instruments.

## **(ii) FINANCIAL MANAGEMENT IN SICK UNITS :-**

Definitions of sickness courses & symptoms, predictions of sickness, revival of a sick unit, SICA and BIFR.

**(7) (A) INFLATION & FINANCIAL MANAGEMENT :-**

Following aspects with regard to inflation assets revaluation, firm value, financial market returns, innovations in the financial markets financial analysis, Capital Budgeting.

**(B) INTERNATIONAL FINANCIAL MANAGEMENT :-**

World monetary system, foreign exchange markets, financing foreign operations, financing exports, impact of foreign capital, investment on financial management.

**(C) DIVIDEND POLICY, PRACTICAL ASPECTS :-**

Payout ratio & stability dividend as a residual payment, dividend behaviour legal aspects, dividend policies in practice.

- NOTE :
1. Weightage of each topic is 10%
  2. Questions on case study & examples leading to managerial analysis and interpretation should not exceed 30%.

**REFERENCES :-**

1. Financial Management Theory & Practice  
Prasanna Chandra 4<sup>th</sup> Edition, Tata MCGraw Hill.
2. Principles of Corporate Finance.  
By Richard A Brealey & Stewart C Myers 4<sup>th</sup> Edition, Tata McGraw Hill.
3. Financial Management and policy.  
By James Ven Horn, 9<sup>th</sup> Edition, Prentice Hall.
4. Principles of Managerial Finance.  
By Lawrence J. Gitman, Harper & Row Publishers.
5. Principles of Financial Management  
By Benton E. Cup, John Wiley & Sons.
6. Principles of Financial Management  
By Haim Levy Marshall Sarnat, Prentice Hall.
7. Financial Decision Making  
By John J. Hampton, Prentice Hall.
8. Financial Engineering - A complete guide to financial innovation  
By John F. Marshall, Vipul K. Bansal, Prentice Hall, New Delhi.