

**VEER NARMAD SOUTH GUJARAT UNIVERSITY, SURAT.**  
**M.COM (PART II)**  
**FINANCIAL MANAGEMENT**  
**(Effective from the academic year June 2010-2011)**

**Objectives:-**

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 aptitude of the students through case studies.

**INDIAN FINANCIAL SYSTEM**

finance function

financial Management and its objectives

Indian financial system and its functions

Some Aspects of financial Management Environment

- (a) Regulatory framework
- (b) direct taxes
- (c) Indirect taxes
- (d) financing of imports and exports
- (e) International financial Institutions.

**CAPITAL BUDGETING**

Basics

definition characteristics , importance and problems

Classification of capital cost

process of capital budgeting

Techniques of capital budgeting

- (a) Traditional Methods
- (b) Discounted cash flow Methods

Zero Based Budgeting

**INVESTMENT DECISION MAKING & RISK ANALYSIS**

Meaning of Risk

Measures of Risk

Techniques of Capital Budgeting Incorporating Risk Factor

- (a) general techniques
- (b) Quantitative techniques

Going Beyond the Numbers

**FINANCIAL INTERMEDIARIES**

Financial intermediaries

Financial intermediaries in India:-

- (a) Reserve Bank of India
- (b) Commercial Banks
- (c) Term lending Institutions

Non-bank financial intermediaries

- (a) Insurance Corporations
- (b) Unit Trust of India
- (c) Post offices
- (d) providens funds
- (e) Investment Companies
- (f) Hire purchase finance companies
- (g) Leasing finance companies
- (h) Housing finance companies
- (i) Venture capital funds
- (j) N.R.I. funds

Financial Market

Instruments of Money Market:-

- (a) Call Money
- (b) Treasury Bills
- (c) Commercial Bills
- (d) Certificates of Deposits
- (e) Commercial paper

Stock Market

Instruments of Capital Market:-

- (a) Gilt edged securities
- (b) Equity shares
- (c) Preference shares
- (d) Debenture
- (e) Public Deposits

## **RAISING FINANCE**

Methods of capital issues

- (a) Public issue
- (b) Right issue
- (c) Private issue
- (d) Book building
- (e) Bonus share
- (f) Term loan

Term loan procedure

## **LEASE FINANCING**

Lease financing

meaning –characteristics-types-advantages & disadvantages

difference between financial lease & operating lease

Mechanics of Leasing

Lease buy decision an evaluation

Hire purchase finance

## **WORKING CAPITAL MANAGEMENT**

meaning-types-components of working capital

meaning of working capital management

### **case management**

Meaning & objectives of cash management

Factors Affecting cash Requirements

The different Aspects of cash management

- (i) planning of cash flow
  - case budget
  - long term cash forecasting
- (ii) Reports for controls
- (iii) Managing cash flows
- (iv) Determining the optimum cash Balance
- (v) Options and strategies for investing surplus funds.

## **WORKING CAPITAL MANAGEMENT-2**

### **Management of credit**

objectives of Maintaining Receivables

costs of credit sales

Terms of payments

Credit policy variables or Ingredients

- (a) Credit standards
- (b) Credit Period
- (c) Cash Discount
- (d) Collection Policy

Credit Evaluation

Credit Sanctioning Decision

Control on Receivables Techniques

## **WORKING CAPITAL MANAGEMENT-3**

### **Management of inventory**

The need for maintaining inventory

Objective of inventory management

Techniques of inventory control

- (i) Economic Ordering Quantity
- (ii) Reordering point
- (iii) ABC Analysis

## **ANALYSIS FINANCIAL PERFORMANCE**

Objectives of financial Analysis and interpretation

Methods of Analysing Financial statements

- (i) Ratio Analysis
- (ii) Comparative Analysis

(iii) Do point Analysis

Application of financial Analysis

Problems of financial statements Analysis

**Leverage**

**Types of Leverage**

**(A) Operating Leverage**

- meaning definition
- Sensitivity of operating profit
- Utilities of operating leverage

**(B) Financial Leverage**

- meaning
- Effects
- Financial Break Even Point
- Degree of changer in EBIT on DFL
- Utilities of financial leverage
- Advantages and limitations
- Essential conciliations for financial leverage

**(C) Combined leverage or Total leverage**

- Degree of combined leverage
- Sensitivity of EPS to changes in sales volume
- Utilities of Combined leverage

## **CORPORATE RESTRUCTURING-1**

**Forms of corporate Restructuring**

**(A) Devices of acquisitions or expansion**

(i) Merger

- types
- Reasons
- Cost and Benefits of Merger

(ii) Purchase of a division / Unit

(iii) Takeover

- types
- Regulation of Takeover
- Guidelines of SEBI

(iv) Advantages and Disadvantages of merger, Absorption, Purchasing and Takeover.

(v) Defensive Measures Against Hostile Takeover

## **CORPORATE RESTRUCTURING-2**

**(A) Forms of sell offs**

- Divestitures
- Spin offs
- Split ups

**(B) Changes in Ownership and control**

- Going public
- Privatization

- Leveraged Buy outs
- Buyback of shares
- Joint ventures

### **FINANCIAL MANAGEMENT IN SICK UNITS**

definition, symptoms, cause of sickness

study of RBI of the causes of industrial sickness

Revival of a sick unit

Revival Programme

Sick Industrial companies ACT-SICA

Board for Industrial and financial Reconstruction (BIFR)

Limitation

### **HYBRID FINANCING & CORPORATE GOVERNANCE**

#### **(A) Hybrid financing**

- Basic
- Sources of financing
  - (a) Preference Capital
  - (b) Features of warrants and convertible debentures
  - (c) Valuations of warrants
  - (d) Valuation of compulsorily convertible debentures
  - (e) Valuation of optionally convertible debentures
  - (f) Motives for issuing warrants convertible debentures
  - (g) Innovative hybrids.

#### **(B) Corporate Governance**

- Basic
- organization of corporate governance :-
  - (a) Divergence of interest
  - (b) Devices for containing agency costs
  - (c) Corporate governance in industrially developed world
  - (d) Corporate governance in India
  - (e) Reforming Corporate governance
  - (f) Legal provisions and SEBI code
  - (g) Executive Compensation
  - (h) Employee Stock option scheme

### **DIVIDEND POLICY**

meaning of dividend & dividend policy

dividend policy

- (i) Dividend policy –pay out Ratio
- (ii) factors affecting payout ratio
- (iii) Dividend policy-stability

Dividend as a residual payment

Corporate dividend Behaviors

Dividend policies in practice

## **INFLECTION, RECESSION AND FINANCIAL MANAGEMENT**

### **(A) Inflection**

- meaning
- Definition
- affects on financial management and its Remedies

### **(B) Recession**

- meaning
- Definition
- affects on financial management and its Remedies

**Note:-** Analytical questions to be asked Calculative sums should be omitted.