FACULTY OF: - Commerce
DEPARTMENT OF: -Master of Commerce
SEMESTER: – I
CODE:5CO01FMP1
NAME: FinancialManagement & Policy

Teaching & Evaluation Scheme

Sr. No	Subject Code	Name of the Subject	Teaching Hours / Week				Credits	Theory				Practical			Total Marks
			Th	Tu	Pr	Total		Sessional Exam		University Exam		Internal		University	
								Marks	Hr/s	Marks	Hr/s	Pr / Viva	TW	Pr	
1	5CO01FMP1	Financial Management & Policy	4	--	--	4	4	30	$1\frac{1}{2}$	70	3	--	--	--	100

Objective: To make students understand various issues involved in financial management of a firm and equip them with advanced analytical tools and techniques that are used for making sound financial decisions and policies.

Prerequisite: Basics Working Knowledge of financial management and policy is required.

Course Outline

Sr.no.	Course Content	No. of Hours
1.	**Introduction:** Introduction, Meaning, Nature, scope and objectives of financial Management Financial decision making and types of financial decisions- Finance as a strategic function- Role of finance manager -Agency problem- Stock price maximization and agency costs - Alternatives to stock price maximization- Stakeholders' wealth maximization- Risk-return framework for financial decision making	12

2.	**Capital Budgeting:** Introduction, Meaning, Nature, significance and kinds of capital budgeting decisions, Cash flow estimation, Capital budgeting techniques - ARR, Payback period, Discounted payback period, NPV, Equivalent annual NPV, IRR, Incremental IRR and Modified IRR. Capital budgeting decisions under constraints and with multiple objectives using mathematical programming models (Linear programming and Integer Programming). Capital rationing. Capital budgeting decision under inflation. Capital budgeting decision under uncertainty. Techniques for incorporating risk and uncertainty in capital budgeting decisions- RADR, Certainty equivalent method, DCF Break even analysis, Simulation method, Probability distribution method, Decision tree analysis, Sensitivity analysis and Scenario analysis. Real options.	11
3.	**Capital Structure:** An overview of cost of capital Specific and WACC, Financial leverage and evaluation of financial plans (EBIT-EPS analysis), Theories of capital structure- NI, NOI, MM Hypothesis without and with corporate taxes, Merton Miller argument with corporate and personal taxes, Trade offtheory, Pecking order theory, Signaling the ory and effect of information asymmetry on capital structure. Optimal capital structure, Determinants of Capital structure in practice	11
4.	**Dividend Policy:** Forms of dividends, Theories of relevance and irrelevance of dividend in firm valuation, (Walter's model, Gordon's Model, MM Hypothesis, Bird-inhand theory and Dividend signaling theory), Relevance of dividend policy under market imperfections. Traditional and Radical position on dividend. Issues in dividend policy, Types of dividend polices in practice (constant rupee dividend policy, constant dividend payout policy, smooth stream dividend policy etc.) Determinants of dividend policy, Lintner's Model on corporate dividend behavior.	11
	Total Hours	**45**

Learning Outcomes:

Theoretical: Students can understand various Financial Management & Policy.

Practical: Students can learn about financial management such as dividend policy.

Teaching & Learning Methodology: The following pedagogical tools will be used to teach this course:

(A)Lectures
(B)Case Discussions
(C)Quiz/Class Participation/Assignment, etc

Books Recommended:

1. Van Horne, James C., *Financial Management and Policy*, Prentice Hall of India
2. Pandey, I. M., *Financial Management*, Vikas Publishing.
3. Ross S.A., R.W. Westerfield and J. Jaffe, *Corporate Finance*, McGraw Hill.
4. Brealey R.A. and S.C. Myers, *Principles of Corporate Finance*, McGraw Hill.
5. Damodaran, A. *Corporate Finance: Theory and Practice*, John Wiley & Sons.
6. Chandra, P. *Financial Management*, Tata McGraw Hill.