

22 BA 203: FINANCIAL MANAGEMENT

Subject Code :	22 BA 203	I A Marks	30
No. of Lecture Hours / Week	05	End Exam Marks	70
Total Number of Lecture Hours	75	Total Marks	100
Practical Component	01 Hour/Week	Exam Hours	03

Course Outcomes: by the end of the course, students will be able

- CO-1 To provide an understanding and perspective on financial management functions and time value of money in the organization.
- CO-2 To develop knowledge on financial management problems, and to increase the ability to handle the problems through reliable approach using leverages.
- CO-3 To develop knowledge on formation of capital structure and understand the impact of dividend decision on value of the firm.
- CO-4 To develop planning and monitoring skills in working capital management, so the students are able to apply the appropriate management strategy to face the company challenges.
- CO-5 To acquaint with the knowledge on the capital budgeting techniques and their application in business organizations.

UNIT I

Financial Management: Conceptual Overview, Scope, Functions, Roles, Goals - Changing Role of Finance Managers -Time value for money -Present Value - Risk and Return – Profit maximization Vs. Wealth Maximization **(Theory only).**

UNIT II

Financial Leverages: Types of Financial Leverages-EBIT and EPS analysis - Cost of Capital -Measurement of Specific Costs of Capital - Weighted Average Cost of Capital **(Theory and Problems).**

UNIT III

Capital Structure: Determinants of Capital Structure, and Optimum Capital Structure - Capital Structure theories: Traditional, NI, NOI and MM Theories -**Management of Profits:**Dividend Policy and Dividend Theories. **(Theory and Problems)**

UNIT IV

Working Capital Management: Meaning, Significance, Types of Working capital, Determinants of working capital, and Methods of Measuring working Capital Requirements - Operating cycle -Financing of Working Capital- Management of Cash, Receivables, and Inventory. **(Theory and Problems)**

UNIT V

Capital Budgeting: Capital Budgeting Process, Nature, Scope, Significance, and Risks in Capital Budgeting-Techniques of Capital Budgeting: Traditional and DCF techniques– NPV vs. IRR. (Theory and Problems)

Case Study (Problem)

Practical Components:

- Students are expected to study any five companies' financial reports and submit a report on their financial planning and financial forecast.
- A group assignment on “capital structure of any three big domestic companies and any three MNCs with respect the models studied in unit-3.
- Case studies on dividend policies of various companies with respect to Indian context.

References Text books:

1. James C. Van Horne, Financial Management and Policy, 6th Edition (2009) Prentice Hall of India.
2. Chandra Bose D., Fundamentals of Financial Management, 2nd Edition (2006) Prentice Hall of India.
3. Khan M Y and Jain P. K., Basic Financial Management: Text and Problems, 2nd Edition (2005) Tata McGraw Hill.
4. Pandey I M. Financial Management, 11th Edition (2015) Vikas Publishing House Pvt. Ltd.
5. Pandey&Bhat, Cases in Financial Management, 2nd Edition (2000) Tata McGraw Hill.
6. Prasanna Chandra, Financial Management - Theory and Practice, 10th Edition (2019) Tata McGraw Hill.

MODEL QUESTION PAPER
M.B.A. (REGULAR) DEGREE EXAMINATION
SECOND SEMESTER
22BA203: FINANCIAL MANAGEMENT
(2022-2023 Regulation Onwards)

Duration: 3 hours

Maximum Marks: 70

SECTION- A

Answer the Following Questions

5×4=20 Marks

1. (a) Define Present Value.

(OR)

(b) How Compound Interest will be calculated?

2. (a) What is combined leverage?

(OR)

(b) What are Earnings per Share?

3. (a) Define Optimum capital Structure.

(OR)

(b) What is meant by Stable dividend policy of a Firm?

4. (a) Explain the Operating Cycle of a manufacturing firm.

(OR)

(b) What is meant by temporary working capital?

5. (a) Explain the PI Method of Capital budgeting with formula.

(OR)

(b) Define Capital rationing.

SECTION – B

Answer All Questions

5×8=40 Marks

6. (a) Define financial management. Explain the scope and functions of Financial Management.

(OR)

(b) Why is the maximizing wealth a better goal than maximizing profit? Explain.

7. (a) What is financial leverage? Explain the impact of financial leverage on earning per share.

(OR)

(b) PF Ltd., has sales of Rs. 20,00,000, variable cost of Rs. 14,00,000, Fixed cost of Rs.

4,00,000 and debt of Rs. 10,00,000 at 12% rate of interest. Calculate operating, financial and combined leverages.

8. (a) What is meant by Capital Structure? Explain the importance of capital structure in organizational decision making.

(OR)

(b) Show the impact of dividend policy when DPR is 40% and 60% according to Gordon's Model from the following information.

Particulars	Growth Firm	Normal Firm	Declining Firm
R	15%	10%	8%

All the firms have k 0.10 and EPS Rs. 10.

9. (a) What is the concept of working Capital? Explain the factors that determine the needs of working capital?

(OR)

(b) Cost sheet of XYZ Company provides the following data:

Particulars	Cost per unit Rs
Raw Material	52
Direct labour	19.5
Overheads	39
Total Costs	110.5
Profit	19.5
Selling Price	130

The following is the additional information available:

- Average raw material in stock: one month;
- Average materials in process: half a month
- Credit allowed by suppliers: one month
- Credit allowed to debtors: two month;
- Time Lag in payment of wages: one and a half weeks.
- Overheads: one month.
- One fourth of sales are on cash basis.
- Cash balance is expected to be Rs. 1, 20,000. You are required to prepare a statement showing the working capital needed to finance a level of activity of 70,000 units of output.

Assume that production is carried on evenly throughout the year and wages and overheads accrue similarly.

10. (a) Define IRR. Distinguish between IRR and NPV.

(OR)

(b) The finance department of MN Ltd. has suggested 2 investment proposals. If the cost of capital is 12%, rank them on the basis of profitability index. The cash flows for each are tabulated below.

Year	Project A	Project B
0	Rs 36,000	Rs 60,000
1	Rs 13,000	Rs 12,000
2	Rs 13,000	Rs 20,000
3	Rs 13,000	Rs 24,000
4	Rs 13,000	Rs 32,000

SECTION- C

CASE STUDY (Compulsory)

1X10=10 Marks

11. A company needs Rs. 5, 00,000 for construction of a new plant. It has EBIT of Rs.1, 00,000. The company has 2 alternatives (i) Raising the entire amount by equity with the issue of 25000 equity shares @ Rs. 10 each (ii) Issue of 10% debentures 2500 @ Rs.100 each. What will be the impact on EPS under those two alternatives?
