PARVATHANENI BRAHMAYYA
SIDDHARTHA COLLEGE OF ARTS & SCIENCE
Autonomous
Siddhartha Nagar, Vijayawada–520010
Re-accredited at 'A+' by the NAAC

Course Code				**23ANMAL232**					
Title of the Course				**FINANCIAL MANAGMENT**					
Offered to:				**BBA Honours--Business Analytics**					
L	**5**	**T**	**0**	**P**	**0**	**C**	**4**		
Year of Introduction:	**2024-25**			**Semester:**			**3**		
Course Category:	**MAJOR**			**Course Relates to:**			**GLOBAL**		
Year of Introduction:	2024-25			**Percentage of Revision of syllabus:**			Not Applicable		
Type of the Course:				Skill Development					
Crosscutting Issues of the Course:				Employee Engagement and Organizational effectiveness					
Pre-requisites, if any				None					

Legends: L: Lecture; T: Tutorial; P: Practicum/Practical/Project; C: Credits
Course Description:

Financial Management is a comprehensive course designed to equip students with the knowledge and skills necessary to manage the financial resources of an organization effectively. This course covers the fundamental principles of financial management, including financial analysis, planning, and decision-making processes. Students will learn how to evaluate financial performance, make investment decisions, manage risk, and optimize capital structure. The course also explores the ethical and strategic dimensions of financial management, emphasizing the importance of sustainability, corporate governance, and global financial trends.

Course Aims and Objectives:

S.NO	**COURSE OBJECTIVES**
1	To introduce to the students the functional department of finance management and acquaint its nature and scope and its financial goals and various functions and decisions in fiancé.
2	To understand concept of capital budgeting and its techniques theoretically and practically.

3	To understand the concept of working capital, its sources, functions and financing of working capital and the management of inventory, cash and receivables.
4	To understand concept of capital structure and cost of capital theoretically and practically and also the measurement of leverages.
5	To understand concept of dividend policy, its determinants various theories theoretically and practically.

Course Outcomes

At the end of the course, the student will be able to:

CO NO.	COURSE OUTCOME	BTL	PO	PSO
CO1	Demonstrate a comprehensive understanding of core financial management principles	**K2**	**1,2**	**1**
CO2	Show an organization's financial performance, identify trends, and make recommendations for improvement.	**K1**	**1,2**	**1**
CO3	Apply capital budgeting techniques such as NPV and IRR to assess and select viable investment projects.	**K3**	**1,2**	**2**
CO4	Make informed decisions regarding an organization's capital structure, balancing debt and equity to optimize the cost of capital.	**K3**	**6,7**	**2**
CO5	Develop strategies for managing working capital effectively, ensuring that the organization maintains sufficient liquidity for its operations	**K3**	**6,7**	**2**

For BTL: K1: Remember; K2: Understand; K3: Apply; K4: Analyze; K5: Evaluate; K6: Create

CO-PO-PSO MATRIX									
CO NO	**PO1**	**PO2**	**PO3**	**PO4**	**PO5**	**PO6**	**PO7**	**PSO1**	**PSO2**
CO1	**3**	**3**						**3**	
CO2	**3**	**3**						**3**	
CO3	**3**	**3**							**2**
CO4						**2**	**3**		**3**
CO5						**2**	**3**		**3**

Codes 3, 2, 1 for High, Moderate and Low correlation Between CO-PO-PSO respectively

Course Structure:

UNIT-I: INTRODUCTION TO FINANCIAL MANAGEMENT **(**15 Hrs.)

1.1 Meaning of Finance

1.2 Nature and Scope of finance.

1.3 Financial goals: Profit Maximization and Wealth Maximization.

1.4 Finance functions

1.5 Investment, Financing, and Dividend decisions.

Exercises:

- Define finance. Explain its primary functions and its importance in both personal and business contexts.
- Differentiate between personal finance, corporate finance, and public finance. Provide examples of decisions or activities that fall under each category.

- Explain how wealth maximization takes into account the time value of money. Why is this important for making long-term business decisions.

Web Resources:

https://pll.harvard.edu/subject/finance

https://www.fincart.com/blog/profit-maximization-vs-wealth-maximization/

https://www.kent.ac.uk/courses/modules/module/ACCT5020

UNIT-II: CAPITAL BUDGETING **(**15 Hrs.)

2.1 Nature of Investment Decisions.
2.2 Capital Budgeting Techniques (Theory & Problems).
2.3 Payback period.
2.4 Average Rate of Return
2.5 Net Present Value
2.6 Internal Rate of Return.
2.7 Profitability Index.

Exercises:

- A company is considering purchasing a new machine that costs $100,000. The machine is expected to generate annual profits as follows:

  Year 1: $20,000, Year 2: $25,000, Year 3: $30,000, Year 4: $35,000

  The machine has an expected life of 4 years, and it will have no salvage value at the end of its useful life. Calculate the ARR for the project**.**
- A company is considering a new project that requires an initial investment of $50,000. The project is expected to generate cash inflows of $15,000 per year for 5 years. The company's required rate of return is 10%. Should the company proceed with the project by using NPV method?
- A company is considering a project with an initial investment of $50,000. The project will generate cash inflows of $18,000, $20,000, $15,000, and $10,000 at the end of each of the next four years. Calculate the IRR for this project.

Web Resources:

https://www.extension.iastate.edu/agdm/wholefarm/html/c5-240.html

https://online.norwich.edu/online/about/resource-library/5-methods-capital-budgeting

https://hbsp.harvard.edu/course-explorer/modules/net-present-value-and-capital-budgeting

UNIT-III: WORKING CAPITAL **(**15 Hrs.)

3.1 Meaning of Working Capital.
3.2 Significance and Types of Working Capital.
3.3 Working capital Cycle.
3.4 Sources and Financing of Working capital.
3.5 Management of Inventory, Cash, Account Receivables.
3.6 Dimensions of Working capital management.

Exercises:

- ABC Ltd has the following details for the year: Days Inventory Outstanding (DIO): 60 days, Days Sales Outstanding (DSO): 45 days, Days Payables Outstanding (DPO): 30 days Calculate the company's Cash Conversion Cycle (CCC).
- XYZ Corporation has current assets of $200,000 and current liabilities of $150,000. Calculate the Working Capital Ratio (Current Ratio).
- DEF Ltd has the following data: Cost of Goods Sold (COGS): $500,000, Average Inventory: $100,000, Calculate the **Inventory Turnover Ratio** and **Average Inventory Days**.

Web Resources:

https://global.oup.com/academic/product/working-capital-management-9780199737413?cc=us&lang=en&

https://link.springer.com/chapter/10.1007/978-3-540-70966-4_6

https://hbsp.harvard.edu/course-explorer/modules/net-present-value-and-capital-budgeting

UNIT-IV: CAPITAL STRUCUTE THEORIES **(**15 Hrs.)

4.1 Traditional and MM Hypotheses.
4.2 Determining Capital Structure in practice.
4.3 Meaning and Significance of cost of capital.
4.4 Calculation of Cost of Debt, Preference Capital, Equite Capital and Retained earnings.
4.5 Operating, Financial and Combined leverages.
4.6 Measurement of Leverages.

Exercises:

- ABC Ltd. has two financing options for its new project: a) Option A: Fully equity-financed with 10,000 shares outstanding, priced at $50 per share. b) Option B: Equity and debt mix with 7,000 shares outstanding and a loan of $150,000 at 5% interest.
- XYZ Ltd. has the following financials: Equity-financed firm value: $500,000, The firm decides to add $200,000 of debt at an interest rate of 6%, The corporate tax rate is 30%. Using MM Proposition II (with taxes), calculate the value of the leveraged firm.
- DEF Ltd. is considering taking on $100,000 of additional debt to finance a new project. The firm’s tax rate is 35%, and the interest on the new debt is 8%. The company expects financial distress costs of $20,000 from taking on this debt. Using the **Trade-Off Theory**, calculate the **net benefit** of the additional debt.

Web Resources:

https://hbsp.harvard.edu/course-explorer/modules/capital-structure

https://www.taxmann.com/post/blog/capital-structure

https://hbsp.harvard.edu/course-explorer/modules/net-present-value-and-capital-budgeting

UNIT-V: DIVIDEND DECISIONS **(**15 Hrs.)

5.1 Types of dividends.
5.2 Meaning and Definition of Dividend policy.
5.3 Types of dividend policy.

5.4 Determinants of dividend policy.
5.5 Dimensions of dividend policy.
5.6 Dividend theory's (Walter, MM, Traditional, Gorden).

Exercises:

- XYZ Corporation has 1,000,000 outstanding shares. The net income for the year was $1,500,000, and the company declared total dividends of $300,000. Calculate Earning s per Share (EPS), Dividends per Share (DPS), Dividend Payout Ratio?
- Assume a company has the following data for the year: Net Income: $1,000,000, Dividends Paid: $200,000, Retained Earnings at the beginning of the year: $500,000. What are the retained earnings at the end of the year if the company adopts the current dividend policy? And how would retain earnings change if the company decided to distribute 40% of its net income as dividends instead?
- A company has a stable dividend policy where it pays out 30% of its net income as dividends. This year, the company's net income is $2,000,000. How much will the company pay in dividends? What would happen if the company decided to increase the payout ratio to 50% due to higher-than-expected earnings?

Web Resources:

https://academic.oup.com/book/5933/chapter-abstract/149262692?redirectedFrom=fulltext

https://www.proquest.com/docview/224366785?sourcetype=Scholarly%20Journals

https://www.emerald.com/insight/content/doi/10.1108/978-1-83797-987-520241011/full/pdf?title=prelims

Text Books:

Prasanna Chandra (2022). Financial Management: Theory and Practice (11th ed.). McGraw-Hill Education.
S.N. Maheshwari (2019). Financial Management: Principles and Practice (15th ed.). Sultan Chand & Sons.

References:

M.Y. Khan & P. K. Jain (2018). Financial Management (8th ed.). McGraw-Hill Education.
Bhabatosh Banerjee (2015). Fundamentals of Financial Management (02nd ed.). PHI Learning Pt. Ltd.

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Course Code & Title of the Course:	**23ANMAL232 FINANCIAL MANAGMENT**
Offered to:	**BBA – Business Analytics**
Category:	**SEMESTER: 3**
Max. Marks	**70**
Max. Time	**3 Hrs.**

Section A: Short Answer Questions (20 Marks)

Answer the following questions. Each question carries 4 Marks.

Q1 (a) What is Financial Management? (K1)

OR

(b) Show the difference between Proft and Wealth Maximization. (K1)

Q2 (a) Explain the nature of Investment Decisions. (K2)

OR

(b) Outline the Capital budgeting techniques. (K2)

Q3 (a) Explain the steps involved in working capital cycle. (K2)

OR

(b) Explain the dimensions of working capital management (K2)

Q4 (a) Identify factors determine capital structure. (K3)

OR

(b) Choose the best features for construct capital structure. (K3)

Q5 (a) List the determents of dividend policy (K4)

OR

(b) Categorize the dimensions of dividend policy (K4)

Section B: Long Answer Questions (50 Marks)

Answer the following questions. Each question carries 10 Marks.

Q6 (a) Explain the meaning and objective of financial management. (K2)

OR

(b) Explain the interrelationship between Investment, Financing and Dividend decision (K2)

Q7 (a) Tulasi Ltd. Provides you the following information: (K3)

Purchase Price of each Machine – Rs. 6,00,000
Working capital – Rs. 3,00,000
Useful Life of each machine - 5 years
Estimated Salvage Value at the end of useful life - Rs. 1,00,000
Method of Depreciation - Straight line
Tax Rate - 30%
Earnings before depreciation & tax

Machine	Year 1	Year 2	Year 3	Year 4	Year 5
X	3,00,000	3,00,000	3,00,000	3,00,000	3,00,000
Y	-	1,00,000	2,00,000	3,00,000	12,00,000
Z	5,00,000	4,00,000	3,00,000	2,00,000	-

Suggest which of the above machines should be purchased on the basis of Accounting Rate of Return Method.

OR

(b) ABC Ltd. is considering two projects namely Project X and Project Y and wants to calculate the NPV for each project. Both project X and project Y is four-year project and cash flows of both the projects for four years are given below:

Year	Project A Cash Flows	Project B Cash Flows
1	5,000	1,000
2	4,000	3,000
3	3,000	4,000
4	1,000	6,750

The Firm's cost of capital is 10% for each project and the initial investment amount is Rs. 10,000. Calculate the NPV of each Project and determine in which Project the firm should invest. (K3)

Q8 (a) Categories the sources of working capital in brief. (K4)

OR

(b) Examine the role of Inventory and Cash in Working capital management. (K4)

Q9 (a) DEF Ltd. Is considering taking on Rs. 1,00,000 of additional debt to finance a new project. The firm's tax rate is 35%, and the interest on the new debt is 8%. The company expects financial distress costs of Rs. 20,000 from taking on this debt. Using the Trade-Off Theory, calculate the net benefit of the additional debt.(K4)

OR

(b) XYZ Ltd. Has the following financials: Equity-financed firm value: Rs. 5,000,000, The firm decides to add Rs. 200,00 of debt at an interest rate of 6%. The corporate tax rate is 30%. Using MM proposition II (with taxes), Calculate the value of the leveraged firm.

(K4)

Q10 (a) Explain, different types of dividend payment to investors.
(K5)

OR

(b) Explain about the dividend policy and its types.
(K5)

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