



INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)

Dundigal, Hyderabad -500 043

MASTER OF BUSINESS ADMINISTRATION

COURSE DESCRIPTOR

Course Title	FINANCIAL MANAGEMENT			
Course Code	CMBB17			
Programme	MBA			
Semester	II			
Course Type	CORE			
Regulation	IARE - R18			
Course Structure	Lectures	Tutorials	Practical Work	Credits
	4	-	-	4
Chief Coordinator	Dr. JSV Gopal Sharma, Professor, MBA			
Course Faculty	Dr. T.Vara Lakshmi, Associate Professor, MBA			

I. COURSE OVERVIEW:

The course focuses on the nature, scope, evolution of finance function; goals of finance function enable students to understand maximizing profit, wealth, welfare and earnings per share of business concern. Financial management is also very useful to the business concerns to take investment decisions, capital structure decisions and dividend decisions from time to time for the growth and development of business. This course includes management of cash, receivables, inventory and current assets in working capital planning. This course uses the analytical techniques and arriving at conclusions from financial information for the purpose of decision making.

II. COURSE PRE-REQUISITES:

Level	Course Code	Semester	Prerequisites
PG	CMBB02	I	Accounting for management

III. MARKS DISTRIBUTION:

Subject	SEE Examination	CIA Examination	Total Marks
Financial Management	70 Marks	30 Marks	100

IV. DELIVERY / INSTRUCTIONAL METHODOLOGIES:

✓	Chalk & Talk	✗	Quiz	✓	Assignments	✓	MOOCs
✓	LCD / PPT	✓	Seminars	✗	Mini Project	✓	Videos
✗	Open Ended Experiments						

V. EVALUATION METHODOLOGY:

The course will be evaluated for a total of 100 marks, with 30 marks for Continuous Internal Assessment (CIA) and 70 marks for Semester End Examination (SEE). Out of 30 marks allotted for CIA during the semester, marks are awarded by taking average of two CIA examinations or the marks scored in the make-up examination.

Semester End Examination (SEE): The SEE is conducted for 70 marks of 3 hours duration. The syllabus for the theory courses is divided into five units and each unit carries equal weightage in terms of marks distribution. The question paper pattern is as follows. Two full questions with “either” or “choice” will be drawn from each unit. Each question carries 14 marks. There could be a maximum of two sub divisions in a question.

The emphasis on the questions is broadly based on the following criteria:

50 %	To test the objectiveness of the concept.
50 %	To test the analytical skill of the concept OR to test the application skill of the concept.

Continuous Internal Assessment (CIA):

CIA is conducted for a total of 30 marks (Table 1), with 25 marks for Continuous Internal Examination (CIE), 05 marks for Alternative Assessment Tool (AAT).

Table 1: Assessment pattern for CIA

Component	Theory		Total Marks
Type of Assessment	CIE Exam	AAT	
CIA Marks	25	05	30

Continuous Internal Examination (CIE):

Two CIE exams shall be conducted at the end of the 8th and 16th week of the semester respectively. The CIE exam is conducted for 25 marks of 2 hours duration consisting of two parts. Part–A shall have five compulsory questions of one mark each. In part–B, four out of five questions have to be answered where, each question carries 5 marks. Marks are awarded by taking average of marks scored in two CIE exams.

Alternative Assessment Tool (AAT):

Marks shall be awarded considering the average of two AAT for every course. The AAT may include seminars, assignments, term paper, open ended experiments, five minutes video and MOOCs.

VI. HOW PROGRAM OUTCOMES ARE ASSESSED:

Program Outcomes (POs)		Strength	Proficiency assessed by
PO1	Managerial Skills: Apply knowledge of management theories and practices to solve business problems.	2	Assignments
PO2	Decision making Skills: Foster analytical and critical thinking abilities for data-based decision making.	3	Seminars
PO4	Ethics: An ability to understand professional and ethical responsibility.	3	Assignments
PO7	Strategic analysis: Ability to conduct strategic analysis using theoretical and practical applications.	2	Seminars
PO8	Technology Skills: Inculcate and develop technical skills to face the competitive world successfully.	1	Seminars

3 = High; 2 = Medium; 1 = Low

VII. COURSE OBJECTIVES :

The course should enable the students to:	
I.	Provide support for decision making and to monitor their decisions for any potential financial implications.
II.	Learn and implement the financial management strategies for effective utilization of financial resources in optimum manner.
III.	Ensure the availability of relevant and reliable financial and non-financial information for the purpose of wealth and profit maximization.
IV.	Focus on wealth maximization rather than profit maximization to achieve the objectives of finance function
V.	Develop the skills to analyze the impact of various financing alternatives on the wealth maximization / valuation of the firm

VIII. COURSE OUTCOMES (COs):

CO Code	CO's	At the end of the course, the student will have the ability to:	PO's Mapped	Strength of Mapping
CMBB17.01	CO1	Describe the meaning, definitions, nature and scope of financial management.	PO1	2
CMBB17.02	CO2	Identify the goals, evolution and functions of financial management.	PO1	2
CMBB17.03	CO3	Examine the new role of finance function in contemporary scenario.	PO1	2
CMBB17.04	CO4	Illustrate the differences between profit maximization and wealth maximization.	PO2	3
CMBB17.05	CO5	Demonstrate the concepts of risk return trade off, time value, future value and present value of money.	PO2	3
CMBB17.06	CO6	Discuss the meaning, definitions, characteristics and importance of investment decisions.	PO4	3
CMBB17.07	CO7	Apply the methods and principles of capital budgeting.	PO4	3
CMBB17.08	CO8	Predict the investment decision process and significance of capital budgeting.	PO7	2
CMBB17.09	CO9	Explain the term capital budgeting decision under risk and uncertainty and methods of capital budgeting techniques.	PO7	2
CMBB17.10	CO10	Determine the concept and measurement of cost of capital.	PO8	1
CMBB17.11	CO11	Examine the meaning, definitions, importance and theories of cost of capital and capital structure and dividend theories.	PO8	1
CMBB17.12	CO12	Summarize the importance of working capital management, current assets management, cash management and inventory	PO8	1

3 = High; 2 = Medium; 1 = Low

IX. MAPPING COURSE OUTCOMES LEADING TO THE ACHIEVEMENT OF PROGRAM OUTCOMES:

COs	Program Outcomes (POs)							
	PO1	PO2	PO3	PO4	PO5	PO6	PO7	PO8
CO 1	2							
CO 2	2							
CO 3	2							
CO 4		3						
CO 5		3						
CO 6				3				
CO 7				3				
CO 8							2	
CO 9							2	
CO 10								1
CO 11								1
CO 12								1

3 = High; 2 = Medium; 1 = Low

X. ASSESSMENT METHODOLOGIES – DIRECT

CIE Exams	PO1,PO2, PO4,PO7, PO8.	SEE Exams	PO1,PO2, PO4,PO7, PO8.	Assignments	PO1,PO4	Seminars	PO2, PO7, PO8.
Laboratory Practices	-	Guest Lecture	-	Mini Project	-	Certification	-
Term Paper							

XI. ASSESSMENT METHODOLOGIES - INDIRECT

√	Assessment of course Outcomes (by feedback, once)	√	Student feedback on faculty (twice)
X	Assessment of mini projects by experts		

XII. SYLLABUS

UNIT- I	THE FINANCE FUNCTION
Nature and scope, evolution of finance function , new role in the contemporary scenario , goals of finance function, maximizing vs. satisfying, profit vs. wealth vs. welfare, the agency relationship and costs, risk-return trade off, concept of time value of money ,future value and present value.	
UNIT-II	THE INVESTMENT DECISION
Investment decision process, developing cash flow, data for new projects, capital budgeting techniques : traditional and discounted cash flow methods, the net present value vs. internal rate return debate; approaches for reconciliation, capital budgeting decision under conditions of risk and uncertainty; cost of capital: concept and measurement of cost of capital, debt vs. equity, cost of equity, preference shares, equity capital and retained earnings, weighted average cost of capital and marginal cost of capital. Importance of cost of capital in capital budgeting decisions.	

UNIT-III	CAPITAL STRUCTURE DECISIONS
Capital structure vs. financial structure: capitalization, financial leverage, operating leverage and composite leverage, earnings before interest and tax, Earning Per Share Analysis.	
Indifference Point/Break even analysis of financial leverage, capital structure theories: the Modigliani miller Theory, NI, NOI theory and traditional Theory: a critical appraisal.	
UNIT- IV	DIVIDEND DECISIONS
Dividends and value of the firm .Relevance of dividends, the MM hypothesis, Factors determining dividend policy, dividends and valuation of the firm, the basic models. Declaration and payment of dividends, bonus shares, Rights issue, share-splits, major forms of dividends: cash and bonus shares, The theoretical backdrop: dividends and valuation, Major theories cantered on the works of GORDON, WALTER and LITNER. A brief discussion on dividend policies of Indian companies, working capital management: components of working capital, gross vs. net working capital, determinants of working capital needs, the operating cycle approach.	
UNIT – V	MANAGEMENT OF CURRENT ASSETS
Management of cash, basic strategies for cash management, cash budget, cash management techniques/processes; management of receivables and management of inventory, the importance of current assets management in working capital planning, planning of working capital, financing of working capital through bank finance and trade credit, recommendations of Tandon and Daheja committee on working capital, cases.	
Text books	
1. I. M. Pandey, “Financial Management”, Vikas Publishing House, 10 th Edition, 2010.	
2. Jonathan Berk, Peter De Marzo and Ashok Thampy, “Financial Management”, Pearson publications, 2 nd Edition, 2010.	
References	
1. Brigham, E. F. and Ehrhardt. M. C., “Financial Management Theory and Practice”, Thomson South-Western publications, 10 th Edition, 2006.	
2. Prasanna Chandra, “Financial Management Theory and Practice”, Tata McGraw Hill, 8 th Edition, 2011.	

XIII. COURSE PLAN:

The course plan is meant as a guideline. Probably there may be changes.

Lecture No	Topics to be covered	Course Outcomes (COs)	Reference
1	Definition, nature, scope and evolution of finance function.	CO1	T-1, R-2
2	New role of finance function in the contemporary scenario.	CO1	T-2, R-2
3	Goals of finance function.	CO1	T-1, R-2
4	Maximizing profit Vs wealth Vs welfare maximization.	CO1	T-1, R-2
5	The agency relationship and costs	CO1	T-2, R-2
6	Basic finance function concept i.e., risk return trade-off.	CO1	T-1, R-1
7	Concept of time value of money.	CO2	T-2, R-2
8	Concept of future value and present value.	CO2	T-1, R-2
9	Investment decision process.	CO2	T-2, R-2
10	Developing cash flow, data for new projects.	CO2	T-1, R-2
11	Capital budgeting techniques- traditional and discounted cash flow methods.	CO3	T-1, R-2
12	Net present value Vs Internal rate of return debate.	CO3	T-2, R-2
13	Approaches for reconciliation.	CO4	T-1, R-2
14	Capital budgeting decision under conditions of risk and uncertainty.	CO4	T-2, R-2

Lecture No	Topics to be covered	Course Outcomes (COs)	Reference
15	Concept and measurement of cost of capital. Debt Vs Equity.	CO5	T-1, R-1
16	Cost of equity.	CO5	T-2, R-2
17	Cost of preference shares.	CO5	T-1, R-2
18	Cost of retained earnings.	CO6	T-2, R-2
19	Weighted average cost of capital and marginal cost of capital.	CO6	T-2, R-1
20	Importance of cost of capital in capital budgeting decisions.	CO6	T-2, R-2
21	Capital structure Vs financial structure.	CO7	T-1, R-1
22	Over and under capitalizations.	CO7	T-2, R-2
23	Financial leverage.	CO7	T-1, R-2
24	Operating leverage and composite leverage.	CO7	T-1, R-1
25	Earnings before interest and tax.	CO8	T-1, R-1
26	Earnings per share analysis	CO8	T-2, R-1
27	Break even analysis of financial leverage.	CO8	T-1, R-1
28	The Modigliani miller theory.	CO9	T-1, R-2
29-30	NI, Traditional theory and NOI theory.	CO9	T-1, R-1
31	Dividends and value of the firm.	CO10	T-1, R-1
32	Relevance of dividends, the MM hypothesis.	CO10	T-1, R-1
33	Factors determining dividend policy.	CO10	T-2, R-1
34	Dividends and valuation of the firm, the basic models.	CO11	T-1, R-1
35	Declaration and payment of dividends, bonus shares, Rights issue, share-splits.	CO11	T-1, R-1
36	Major forms of dividends: cash and bonus shares.	CO11	T-1, R-1
37	Major theories centered on the works of GORDON, WALTER and LITNER.	CO12	T-1, R-2
38	A brief discussion on dividend policies of Indian companies.	CO12	T-1, R-1
39	Components of working capital, gross vs. net working capital.	CO12	T-1, R-1
40	Determinants of working capital needs.	CO12	T-1, R-1
41	The operating cycle approach.	CO12	T-1, R-1
42-44	Management of cash, basic strategies for cash management..	CO12	T-1, R-2
45-47	Problems on the cash budget.	CO12	T-1, R-1
48	Management of receivables and management of inventory.	CO12	T-2, R-1
49-50	The importance of current assets management in working capital planning.	CO12	T-1, R-1
51-52	Planning of working capital.	CO12	T-1, R-1
53-54	financing of working capital through bank finance and trade credit	CO12	T-2, R-1
55	Recommendations of Tandon committee	CO12	T-2, R-1

XIII. GAPS IN THE SYLLABUS - TO MEET INDUSTRY / PROFESSION REQUIREMENTS:

S. NO	DESCRIPTION	PROPOSED ACTIONS	RELEVANCE WITH POs
1	Definition, nature, scope and evolution of finance function, New role of finance function in the contemporary scenario, Goals of finance function and maximizing profit Vs wealth Vs welfare	Seminars / Guest Lectures.	PO 3, PO 5, PO 11
2	Capital budgeting techniques- traditional and discounted cash flow methods and Capital budgeting decision under conditions of risk and uncertainty.	Seminars / Guest Lectures.	PO 3, PO 5, PO 11, PO 9
3	Importance of cost of capital in capital budgeting decisions, Major theories cantered on the works of GORDON, WALTER and LITNER.	Seminars / Guest Lectures.	PO 2, PO 3, PO 5, PO 9
4	Importance of current assets management in working capital planning.	Seminars / Guest Lectures.	PO 2, PO 3, PO 5, PO 9

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