UNIT 1 FINANCE FUNCTION AND FINANCIAL PLANNING

Meaning, importance and scope of financial management, financial goals: profit versus value maximization. Finance function: relationship between finance function and other functional areas of management, role of finance manager, meaning of financial planning, and steps in financial planning.

UNIT 2 CAPITALIZATION AND CAPITAL STRUCTURE

Capitalization: meaning, effects and remedies of under capitalization, over capitalization and watered stock.

Capital structure: Meaning, importance and determination of capital structure. Trading on equity: meaning, benefits and risks, operating leverage and financial leverage: meaning and degree of combined leverage (no numerical). Sources of long term finance: equity, debentures and preference shares: meaning, advantages and limitations of each.

UNIT 3 WORKING CAPITAL MANAGEMENT

Concepts and types of working capital – factors determining working capital requirement. Principles of working capital management, components of working capital: cash, receivables, inventory, creditors, bank overdraft and others, disadvantages of inadequate working capital.

UNIT 4 COST OF CAPITAL AND CAPITAL BUDGETING

Cost of Capital: Meaning and importance, computation of cost of capital for debentures or bonds, equity and preference capital and retained earnings. Weighted cost of capital.

Capital Budgeting: meaning, characteristics, process, techniques, meaning, utility and limitations of various methods – Average rate of return, pay back period, net present value and PI.

REFERENCES:

1. Elements of Financial Management, by S.N.Maheshwari
4. Financial Management by P.V.Kulkarni, B.G.Satyaprasad, Himalaya Publishing house
5. Financial Management by S.C.Kuchhal