

SYLLABUS

PANJAB UNIVERSITY

M.COM. (2nd SEMESTER)

PAPER 3 : MC 203-FINANCIAL MANAGEMENT AND POLICY

Objectives : The objective of the course is to acquaint the students with the basic analytical techniques and methods of financial management of business firms. The course also provides students the exposure to certain sophisticated and analytical techniques that are used for taking financial policy decisions.

UNIT - I

Financial Management : Scope, finance functions and its organisation, objectives of financial management; time value of money; sources of long term finance. **Financial Forecasting** : Sales Forecast, Preparation of Performance Income Statement and Balance Sheet Growth and External Funds Requirement (EFR).

UNIT - II

Investment Decisions : Importance, difficulties, determining cash flows, methods of capital budgeting; risk analysis (risk adjusted discount rate methods and certainty equivalent methods) cost of different sources of raising capital; weighted average cost of capital

UNIT - III

Capital Structure Decisions-Leverage : Measuring and analysing the implications of Leverage, Operating Leverage, Financial Leverage and Total Leverage; Capital structure theories-NI, NOI, traditional and M-M theories; Capital Structure Policy : Business and Financial Risk A Total Risk Perspective, Business and Financial Risk A Market Risk Perspective, Determinants of Capital Structure Decision, Approach to Estimating the Target Capital Structure Variations in Capital Structures, EBIT/EPS Analysis and ROI/ROE Analysis

UNIT - IV

Determinants of Dividend : Models – Walter, Gordon and M.M. models. Working Capital Meaning, Need, Determinants; Estimation of Working Capital Need; Management of Cash; Inventory and Receivable.