

**ST. JOSEPH'S COLLEGE OF COMMERCE  
(AUTONOMOUS)**



**LESSON PLAN**

**2017-2018 ODD SEMESTER**

**BACHELOR OF BUSINESS ADMINISTRATION**

**M115MC302**

**FINANCIAL MANAGEMENT**

**PREPARED BY:**

**COURSE / SUBJECT OBJECTIVES:** To acquaint the students with the basic financial functions of a firm and importance of various financial decisions. To give an insight into investment, financing and dividend decision making and composition of different securities in the total capital structure.

## PREPARATION OF LESSON PLAN FRAMEWORK

### (Module wise)

UNIT/ SESSION/ HOURS (TIME REQUIRED)	TOPICS FOR STUDENT PREPARATION (INPUT)	PROCEDURE (PROCESS)	LEARNING OUTCOME (OUTPUT)	ASSESSMENT
<b>Module – 1 :</b> <b>Financial Management /</b> <b>5 hours</b>	Finance function- aims of finance function - Financial Management - Goals of Financial Management - Financial Decisions.	<ul style="list-style-type: none"> <li>• Online video</li> <li>• Lecture with the help of power Point presentation</li> <li>• Discussion</li> </ul>	To understand the importance of: <ul style="list-style-type: none"> <li>• Financial management and its functions.</li> <li>• Goals of Financial Management</li> <li>• Financial Decisions</li> </ul>	Evaluation through Activity/ MCQs
<b>Module-2:</b> <b>Cost of Capital /</b> <b>10 Hours</b>	Meaning – Computation of Cost of Capital – Cost of Equity – Preference – Debt – Cost of Retained Earnings – Weighted Average & Marginal Cost of Capital.	<ul style="list-style-type: none"> <li>• Lecture</li> <li>• Case Study</li> <li>• Discussion</li> <li>• Problem solving</li> </ul>	To understand the significance of cost of capital to the firm and to calculate: <ul style="list-style-type: none"> <li>• Cost of Specific sources of capital</li> <li>• Weighted Average Cost of Capital</li> </ul>	Evaluation through MCQs and tests.
<b>Module-3:</b> <b>Financing Decisions /</b> <b>10 Hours</b>	Meaning of Capital Structure – Optimum Capital Structure – Factors determining Capital structure – Leverages-Operating leverage – Financial leverage and combined leverage-Problems	<ul style="list-style-type: none"> <li>• Lecture</li> <li>• Case Study</li> <li>• Discussion</li> <li>• Problem solving</li> </ul>	To understand the meaning and importance of optimal capital structure and leverages. To calculate different types of leverages and determine their effect on EPS	Evaluation through MCQs and tests

<b>Module-4: Investment Decisions / 15 Hours</b>	Capital Budgeting – Meaning – Significance – Capital Budgeting process – Payback period – ARR – Net present values – IRR Method – Profitability Index and Capital Rationing – Concepts only.	<ul style="list-style-type: none"> <li>• Lecture</li> <li>• Case Study</li> <li>• Discussion</li> <li>• Problem solving</li> </ul>	To understand the significance of capital budgeting and its process. To evaluate and select projects using different methods of capital budgeting.	Evaluation through MCQs, group activity and tests
<b>Module-5: Dividend Decisions / 8 Hours</b>	Meaning – Types of dividend policies – Factors influencing dividend policy – Forms of dividends. Dividend Relevance- Walter's model and Gordon's model, Dividend Irrelevance -Modigliani Miller model	<ul style="list-style-type: none"> <li>• Lecture</li> <li>• Discussion</li> <li>• Case study</li> </ul>	To understand the impact of dividend distribution on the price of the shares through relevance and irrelevance theories.	Evaluation through MCQs and tests
<b>Module-6: Working Capital Management Decisions 12 Hours</b>	Working capital: Meaning – Concepts of working capital – Factors influencing Working Capital requirement – Components of working capital – Profitability/Liquidity trade off. Cash Management: Meaning – Importance – Factors affecting cash balances – Motives of holding cash – Objectives of cash management – Problems and means of cash management. Receivables Management: Meaning – Purpose –	<ul style="list-style-type: none"> <li>• Lecture</li> <li>• Discussion</li> <li>• Problem solving</li> </ul>	To understand the components of working capital and to assess the working capital requirements of companies.	Evaluation through MCQs, group activity and tests

	Determinants – Tools for receivables management – Ageing schedule. Inventory Management: Meaning and Importance – Cost of holding inventory – Tools – EOQ – Fixing different inventory levels – ABC analysis – FSN – VED – JIT – Periodic inventory valuation – Perpetual inventory valuation (concepts only)			
--	---	--	--	--

## UNIT WISE BREAK UP

**LECTURE HOURS: 60**

**Objective: To give an insight into investment, financing and dividend decision making and composition of different securities in the total capital structure.**

Sl. No	UNIT & OBJECTIVES	No. of Lecture Hours	Methodology/ Instructional techniques	Evaluation/ learning confirmation
<b>MODULE 1</b>	<b>FINANCIAL MANAGEMENT: To understand the importance of:</b> <ul style="list-style-type: none"> <li>• Financial management and its functions.</li> <li>• Goals of Financial Management</li> <li>• Financial Decisions</li> </ul>	<b>5</b>		
1.	Introduction of the subject, Meaning and scope of FM. Allotment of Group activities	2	Video, Lecture and Discussion	-
2.	Objectives of FM- Profit and Wealth Maximization/ Time Value of Money.	2	Lecture and Illustrations	Question and Answer
3.	Finance Decisions and Functions of FM.	1	Lecture	Question and Answer
<b>MODULE 3</b>	<b>FINANCING DECISIONS: To understand the meaning and importance of optimal capital structure and leverages. To calculate different types of leverages and determine their effect on EPS</b>	<b>10</b>		
1.	Meaning of Capitalization, difference between capitalization, capital structure and financial structure.	1	Lecture and Illustrations	Question and Answer
2.	Optimum capital structure and factors affecting it.	1	Lecture	Question and Answer
3.	Introduction to Leverages (Business risk and Finance	1	Lecture and	Question

	risk) and types of Leverages (Financial, operating and Combined Leverages)		Illustrations	and Answer
4.	Construction of Income statement and its impact on EPS.	1	Lecture and Illustrations	Question and Answer
5.	Problems on Leverages, Degree of leverages and Point of indifference.	5	Problems	Question and Answer
6.	Group Activity/ Presentations/Test	1	Group Activity/ Presentations	-
<b>MODULE 2</b>	<b>COST OF CAPITAL: To understand the significance of cost of capital to the firm and to calculate</b> <ul style="list-style-type: none"> <li>• <b>Cost of Specific sources of capital</b></li> <li>• <b>Weighted Average Cost of Capital</b></li> </ul>	<b>10</b>		
1.	Sources of Capital and significance of cost of each source of capital to the firm.	1	Lecture	Question and Answer
2.	Cost of Debt – Redeemable and Irredeemable	1	Lecture and Problems	Question and Answer
3.	Cost of Preference Shares – Redeemable and Irredeemable	1	Lecture and Problems	Question and Answer
4.	Cost of Equity Shares under various methods	2	Lecture and Problems/ CASE STUDY	Question and Answer
5.	Cost of Retained earnings	1	Lecture and Problems	Question and Answer
6.	WACC – book value and Market value	2	Lecture and Problems	Question and Answer
7.	WMCC – Concept and Problems	1	Lecture and Problems	Question and Answer
8.	Group Activity/ Presentations/Test	1	Group Activity/ Presentations	-
<b>MODULE 4</b>	<b>INVESTMENT DECISIONS: To understand the significance of capital budgeting and its process and to evaluate and select projects using</b>	<b>15</b>		

	<b>different methods of capital budgeting.</b>			
1.	Capital Budgeting – meaning, significance and process	1	Lecture	Question and Answer
2.	Payback period – concept and problems	2	Lecture and Problems	Question and Answer
3.	Discounted PBP and Post PBP profitability	1	Lecture and Problems	Question and Answer
4.	Accounting Rate of return - concept and problems	2	Lecture and Problems	Question and Answer
5.	Net Present Value - concept and problems	2	Lecture and Problems/ CASE STUDY	Question and Answer
6.	Internal Rate of return – Constant and Fluctuating cash Flows	3	Lecture and Problems	Question and Answer
7.	Profitability Index – concept and problems	1	Lecture and Problems	Illustrations
8.	Capital Rationing – Concept Only	1	Lecture	Question and Answer
9.	Group Activity/ Presentations/Test	2	Group Activity/ Presentations/ Test	
<b>MODULE 5</b>	<b>DIVIDEND DECISIONS: To understand the impact of dividend distribution on the price of the shares through relevance and irrelevance theories.</b>	<b>8</b>		
1.	Meaning, factors influencing dividend policies and Forms of dividend	4	Lecture and Illustrations	Question and Answer
2.	Relevance theory – Walter's and Gordon's dividend Model	2	Lecture	Question and Answer
3.	Irrelevance theory – MM theory	2	Lecture /CASE STUDY	Question and Answer
<b>MODULE 6</b>	<b>LIQUIDITY DECISIONS: To understand the components of working capital and to assess the</b>	<b>12</b>		

	<b>working capital requirements of companies.</b>			
1.	Working Capital Management, Circulating capital, Components of WCM, factors affecting WCM, Profitability vs Liquidity trade-off	2	Lecture and Illustrations	Question and Answer
2.	Cash management – Receivables Management and Inventory Management (Importance and Tools)	4	Lecture and Illustrations	Assignment
3.	Working Capital requirement - Problems	5	Lecture and Problems	Question and Answer
4.	Group Activity/ Presentations/Test	1	Group Activity/ Presentation/Test	

**BOOKS FOR REFERENCE:**

1. **I.M Pandey:** Financial Management, Vikas Publishers, New Delhi.
2. **James C. Vanhorne:** Financial Management. v Khan & Jain: Financial Management, Tata Mcgraw Hill, New Delhi.
3. **P. N. Reddy & Appanaiah:** Financial Management, Himalaya Publishers, Bombay.
4. **Prasanna Chandra:** Financial Management, Tata McGraw Hill, New Delhi.
5. **S. N. Dorai Raj:** Financial Management, Kalyani Publishers, New Delhi.
6. **S. N. Maheswari:** Financial Management, Sulchand & Co., New Delhi.
7. **Sharma & Sashi Gupta:** Financial Management.
8. **Ravi M. Kishore:** Financial Management