

Course Number	: HS551
Course Name	: Financial Management
Credits	: 3-0-0-3
Prerequisites	: HS205 Financial Accounting or with instructor's approval
Intended for	: PhD/Masters/BTech 3 rd and 4 th years
Distribution	: Discipline Elective for MA in Development Studies and free elective for others
Semester	: Odd/Even

1. Preamble:

Financial Management cuts through all theoretical barriers that separate disciplines in the sense that all organizations, be it for-profit or not-for-profit, require finance to function and must master the art of financial management to survive. While social enterprises need to focus on staying sustainable, corporate enterprises need to ensure that they make profits sufficient enough to fund their future growth. Further, not only the existing organizations, but also the ones to come up in future i.e. startups depend entirely upon financial viability of ideas they intend to bring about. It is in this context that one needs to learn fundamental principles of financial management which are mainly aimed at answering following three questions: Where to invest the funds? Where to get the funds from? What to do with profits earned?

In business, you are always faced with choices and you need to choose one of them over all others. Each choice has financial implications some of which are obvious while others are not so obvious. Evaluation of choices calls for an objective analysis. In this course, we learn to put a value to every choice that a corporate firm has in regular course of business. We attempt to acquire financial intuition embedded in financial decisions and learn the nitty-gritty of related strategic aspects.

2. Course Modules with Quantitative Hours:

Module 1: Introduction to Finance Function [6 Hours]

Corporate form of business, Reading financial statements, Financial decision making, Profit maximization versus wealth maximization debate, Time value of money, Interest rates, Term structure and yield curve

Module II: Investment Decisions [8 hours]

Valuations of projects and firms, Rules for investment decision making, Free Cash Flow calculation, Valuation of shares and bonds

Module III - Risk and Return [6 hours]

Introduction to capital market and risk pricing, Capital asset pricing model, Estimation of cost of capital: Cost of equity and debt

Module IV: Financing Decisions [6 hours]

Capital structure in perfect and imperfect markets, implication of debt and taxes on capital structure, Financial Distress, Managerial Incentives \

Module V: Dividend Decisions [6 Hours]

Payout process and policies, Dividend versus share repurchase, Payout versus retention, Signaling with payout, Taxes and dividend

Module VI: Short Term Financial Decisions [4 Hours]

Short term financial planning: Tools for working capital management, cash management and inventory management

Module VII: Strategic Financial Decisions [6 Hours]

Initial public offers, Strategic alternatives in Mergers and acquisitions, Debt Securitization, Corporate restructuring, Corporate governance

3. Textbooks:

“Financial Management”, Berk, DeMarzo and Thampy, Indian Subcontinent Edition, Pearson Education (India), 2010

4. Reference:

“Financial Management: Theory and Practice”, Prasanna Chandra, 8th edition, McGraw Hill Education (India), 2012

“Case Problems in Finance”, Kester, Ruback and Tufano, 12th edition, McGraw Hill, 2008

“Case Studies in Finance: Managing for Corporate Value Creation”, Robert F. Bruner, McGraw Hill International Edition, 2006