

# FIN 312: Financial Management

*Credits: 3*  
*Lecture Hours: 48*

## **Course Objectives:**

The objective of the course is to provide the students with an understanding of the fundamental concepts and principles of financial management and impart skills for applying those concepts and principles in real business situations. The course also creates solid foundation for specialization in finance area.

## **Course Description:**

This course provides students opportunity to understand fundamentals of financial management and their application in financial decisions in business. It begins with financial planning and forecasting of financial statements and provides additional materials on portfolio theory and pricing of capital assets. Then it moves on to capital investment and capital structure decisions the firms undertake. Finally, the course covers dividend decision and working capital management decisions of firms.

## **Course Details**

- Unit 1: Financial Planning and Forecasting of Financial Statements:** **LH 6**  
Overview of financial planning: strategic plans, operating plans, the financial plan, Sales forecast, The AFN Formula, The forecasted financial statement method, Forecasting financial requirements when the balance sheet ratios are subject to change.
- Unit 2: Portfolio Theory and Capital Asset Pricing Model:** **LH 6**  
Efficient portfolios, choosing the optimal portfolio, Basic assumptions of capital asset pricing model, The capital market line and security market line, Calculation of beta coefficient.
- Unit 3: Basics of Capital Budgeting:** **LH 6**  
Overview of capital budgeting, Net present value (NPV), Internal rate of return (IRR), Comparison of the NPV and IRR, Profitability index, Payback methods.
- Unit 4: Cash Flow Estimation:** **LH 6**  
Estimating cash flows, Project analysis, Issues in project analysis: depreciation, adjusting for inflation.
- Unit 5: Basic Capital Structure Decisions:** **LH 6**  
Capital structure issues, Business risk and financial risk, Operating and financial leverage, Breakeven analysis, Estimating optimal capital structure.
- Unit 6: Dividend:** **LH 6**  
The level of distribution and firm value, Clientele effect, Information content, Implications for dividend stability, setting the target distribution level, distributions in the form of dividends, Factors influencing distributions, Overview of the distribution policy decision, Stock splits and stock dividends.

**Unit 7: Working Capital Management:****LH 12**

The cash conversion cycle, Alternative net operating working capital policies, Cash management, The cash budget, Cash management techniques; Inventory, Receivable management, Alternative short-term financing policies, Short-term investments,

**Textbooks**

1. Brigham, E. F., & Ehrhardt, M. C. (2008). *Financial management: Theory and practice* (12<sup>th</sup>ed). Delhi: Clengage Learning.
2. Ross, S. A., Westerfield, R. W., & Jordan, B. D. (2011). *Essentials of corporate finance* (7<sup>th</sup>ed). New York: McGraw-Hill Irwin.

**References**

1. Brealey, R.A., Myers S.C., Alen, F., & Mohanty, P. (2012). *Principles of corporate finance* (10<sup>th</sup>ed). New Delhi: McGraw-Hill Education (India).
2. Van Horne, J. C., & Wachowicz, J. R. (2009). *Fundamentals of financial management*, (13<sup>th</sup>ed). New Delhi: PHI Learning.