

## Course Title

### Financial Management (FIM)

Knowledge Pillar	Level	Course Title	Course Code	Total Marks
Economics & Finance [EFIN]	Intermediate Level II	Financial Management (FIM)	EF232	100

### *Syllabus Structure*

The syllabus comprises the following main topics with the relative study weightings:

Segment	Segment Title	Weight
A	Foundation of Finance	20%
B	Financial Analysis	10%
C	Investment Decisions	20%
D	Financing Decisions	25%
E	Dividend Decision	10%
F	Working Capital Management	10%
G	International Financial Management	5%

### *Course Description*

This course introduces aspiring professional accountants to different financial management techniques and explains how managers use these techniques in a firm to achieve its objectives of value maximization of invested assets. It covers theories, concepts, assumptions and mechanics underlying financial decisions, viz., investment, financing, dividend and working capital management. The contents have been arranged in a way to develop the conceptual and analytical ability of the aspiring professional accountants and various financial techniques have been incorporated to take appropriate financing and investment decision to achieve organization's goal. Apart from fundamental issues, analysis of contemporary financial matters has been given adequate consideration to enable students to develop their skills in formulating suitable policy framework for the entity and fit them to meet the demand of the day.

### *Course Objectives*

This course aims to develop the knowledge and skills of aspiring professional accountants about different functions of financial management so that they can perform their role effectively in making various financial management decisions.

### *Course Learning Outcomes*

Upon successful completion of the course, the aspiring professional accountants should be able to:

1. understand the fundamental concepts of financial management in an organization;
2. analyze financial statements to measure the financial performances of an organizations;
3. understand and apply valuation techniques for various securities;
4. apply appropriate investment appraisal techniques for making investment decisions;
5. identify and assess capital requirements of businesses and financing options;
6. apply different techniques for working capital management; and
7. identify, evaluate and manage different financial risks of an organization.

## DETAILED CONTENTS

Parts	Topics	Level of study required	Subtopics	Learning outcomes of topics	Probable weight
A: Foundation of Finance (20 Marks)	A1. Introduction to Financial Management	R, U	<ul style="list-style-type: none"> <li>• Basic Concept of Finance and Financial Management;</li> <li>• Major financial decisions;</li> <li>• Role of financial manager;</li> <li>• Goal of a Firm: Profit maximization vs. wealth maximization;</li> <li>• Agency Problems &amp; control of corporation;</li> <li>• Corporate Governance;</li> <li>• Markets and Institutions;</li> <li>• Types of Market.</li> </ul>	Upon successful completion, students shall be able to: <ol style="list-style-type: none"> <li>1. describe the concept of financial management and its key functions;</li> <li>2. understand the roles of different functions of financial management for achieving the goal of a firm.</li> </ol>	5%
	A2. Time Value of Money	AP, AN, E, D	<ul style="list-style-type: none"> <li>• The role of Time value in Finance;</li> <li>• Present and future value of single amounts, present and future value of annuities, mixed streams, compounding interest more frequently than annuity, continuous compounding, present and future value of uneven cash flow stream;</li> <li>• Loan amortization;</li> <li>• Special applications of time value.</li> </ul>	<ol style="list-style-type: none"> <li>3. understand the concept of the time value of money and its implications;</li> <li>4. prepare amortization schedule.</li> </ol>	35%
	A3. Risk & Return	AP, AN, E, D	<ul style="list-style-type: none"> <li>• Definition and Measurement of risk and return of investors;</li> <li>• Measure Risk;</li> <li>• Using Probability Distributions to measure Expected Return and Standard Deviation;</li> <li>• Coefficient of Variation;</li> <li>• Attitudes toward Risk;</li> <li>• The Capital Asset Pricing Model (CAPM): a Risk &amp; Return Model.</li> </ul>	<ol style="list-style-type: none"> <li>5. understand risk, return and explain their relationship.</li> </ol>	30%
	A4. Valuation of Securities	AP, AN, E, D	<ul style="list-style-type: none"> <li>• Different Types of Bonds and the concept of Bond Valuation;</li> <li>• Bond Valuation: Perpetual Bonds, Bonds with finite maturity, zero-coupon bonds;</li> <li>• Determination of the duration of Bonds;</li> <li>• Determinants of Bond Yields: Yield to Maturity (YTM).</li> </ul>	<ol style="list-style-type: none"> <li>6. understand bond valuation techniques for various types of bonds;</li> <li>7. understand stock valuation techniques for various types of stock and options valuation technique.</li> </ol>	30%

Parts	Topics	Level of study required	Subtopics	Learning outcomes of topics	Probable weight
			<ul style="list-style-type: none"> <li>• Debt Vs Equity;</li> <li>• Preferred Stock Vs Common Stock;</li> <li>• Characteristics, advantage and disadvantage of preferred stock and common stock;</li> <li>• Classification of common stock;</li> <li>• Differentiate among bond, preferred stock and common stock;</li> <li>• Valuation of Preferred Stock;</li> <li>• Valuation of Common Stock using the different model;</li> <li>• Decision making and common stock value;</li> <li>• Concept and type of option;</li> <li>• Valuation of various types of option;</li> <li>• Economics of Option;</li> </ul>		
B. Financial Analysis (10 Marks)	B1. Financial Statement Analysis	AP, AN, E, D	<ul style="list-style-type: none"> <li>• Financial Statements;</li> <li>• Different tools and techniques of analysis of Financial Statements;</li> <li>• Ratio analysis: Different types of Ratios; Income Statement and Balance Sheet Ratios; Market ratios;</li> <li>• Trend Analysis;</li> <li>• Common-Size and Index Analysis.</li> </ul>	<p>8. understand calculation and interpretation of different types of ratios;</p> <p>9. use trend analysis, common-size analysis and index analysis to gain additional insights into a firm's performance.</p>	100%
C. Investment Decisions (20 Marks)	C1. Capital Budgeting	R, U, AP, AN, E, D	<ul style="list-style-type: none"> <li>• Nature and principles of capital budgeting;</li> <li>• Cash flow estimates &amp; Determination of relevant cash flows;</li> <li>• Evaluation techniques: Discounted cash flow Techniques; Time-adjusted techniques; Traditional techniques;</li> <li>• Capital Budgeting under risks and uncertainty;</li> <li>• Inflation and capital</li> </ul>	<p>10. understand Capital budgeting and steps involved in this process.</p> <p>11. calculate and apply different capital budgeting techniques.</p> <p>12. recommend investment decisions based on different capital budgeting.</p>	60%

Parts	Topics	Level of study required	Subtopics	Learning outcomes of topics	Probable weight
D. Financing Decision (25 Marks)			budgeting; <ul style="list-style-type: none"> <li>• Project selection under capital rationing;</li> <li>• Dependency and Mutually Exclusive projects;</li> <li>• Ranking Problems;</li> <li>• Multiple IRR and No IRR problem;</li> <li>• Modified Internal Rates of Return (MIRR);</li> <li>• Common Capital budgeting conflicts;</li> <li>• Project Monitoring: Progress Reviews and Post-Completion Audits.</li> </ul>		
	C2. Cost of capital	U, AP, AN, D.	<ul style="list-style-type: none"> <li>• Concept of cost of capital;</li> <li>• Components of cost of funds;</li> <li>• Component weights;</li> <li>• Explicit and implicit costs;</li> <li>• Measurement of cost of capital;</li> <li>• Cost of debt, Cost of perpetual debt, Cost of preference share, Cost of equity, Cost of retained earnings;</li> <li>• Dividend approach;</li> <li>• Capital asset pricing model approach;</li> <li>• Required return versus cost of capital;</li> <li>• Computation of over-all cost of capital;</li> <li>• Marginal cost of capital; Risk adjusted WACC;</li> <li>• Taxes, the Cost of Capital, and the Value of the Company;</li> <li>• Costs of Financial Distress.</li> </ul>	13. calculate the costs of different components of capital; 14. calculate and interpret the weighted average cost of capital.	40%
	D1. Operating, Financial and Combined Leverage	U, AP, AN, E, C, D	<ul style="list-style-type: none"> <li>• Concept of leverage;</li> <li>• Types of leverage;</li> <li>• Operating Leverage;</li> <li>• Degree of Operating Leverage (DOL);</li> <li>• Operating Break-Even Analysis. DOL and the Break - Even Point</li> <li>• DOL and Business Risk;</li> </ul>	15. calculate and interpret operating and financial leverage and their causes; 16. determine the appropriate amount of financial leverage	15%

Parts	Topics	Level of study required	Subtopics	Learning outcomes of topics	Probable weight
			<ul style="list-style-type: none"> <li>Financial Leverage: Degree of Financial Leverage (DFL); Financial Break-Even analysis; Indifference Analysis; DFL and Financial Risk;</li> <li>Total Leverage: Degree of Total Leverage (DTL) and Total Firm Risk.</li> </ul>	for a firm.	
	D2. Capital Structure	U, AP, AN, E, C, D.	<ul style="list-style-type: none"> <li>Capital Structure Concept and Overview;</li> <li>Capital structure and financial structure;</li> <li>Capital Structure theories;</li> <li>Net income approach;</li> <li>Modigliani-Miller (MM) approach;</li> <li>Traditional approach;</li> <li>Total Value Principles;</li> <li>Presence of market imperfections and incentive issues;</li> <li>The effect of Tax;</li> <li>Financial signaling;</li> <li>Optimum capital structure: Static Trade-Off Theory.</li> </ul>	17. understand the capital structure decision and different theories of capital structure; 18. determining the optimal capital structure.	30%
	D3. Debt and Equity Financing	U, AN, E, D	<ul style="list-style-type: none"> <li>Selecting Sources of equity Finance;</li> <li>Methods of flotation;</li> <li>Right issues;</li> <li>Theoretical Ex-Right Price (TERP) and yield adjusted TERP;</li> <li>Venture capital, angel financing, crowd funding;</li> <li>Types of Debt Finance;</li> <li>Selecting appropriate debt instruments;</li> <li>Debt Finance: Security; Covenants;</li> <li>Interest rate risk and refinancing risk exposures.</li> </ul>	19. understand the use of different sources of equity financing; 20. understand the use of different sources of debt financing	30%
	D5. Lease Financing	U, AP, AN, E, D	<ul style="list-style-type: none"> <li>Concept of leasing;</li> <li>Financial evaluation of leasing;</li> <li>Buying Vs Leasing decision;</li> <li>Economics of leasing.</li> </ul>	21. evaluate and recommend the lease financing option.	25%

Parts	Topics	Level of study required	Subtopics	Learning outcomes of topics	Probable weight
E. Dividend Decision (10 Marks)	Dividend Policy	U, AP, AN, E, D	<ul style="list-style-type: none"> <li>• Passive versus Active Dividend policies;</li> <li>• Irrelevance of dividend: Modigliani and Miller (MM) Hypothesis and model;</li> <li>• Relevance of dividends: Walter's Model and Gordon's Model;</li> <li>• Determinants of dividend policies: Legal, contractual, and internal constraints and restrictions; Owner's considerations; Capital market considerations;</li> <li>• Different practical implications: Taxes; Clientele effect; Bird in hand argument; Signaling effect, Desire for current income, uncertainty resolution; information content of dividend; residual dividend policy;</li> <li>• Scrip dividends, stock splits;</li> <li>• Share Repurchases: Share Repurchase Methods; Financial Statement Effects of Repurchases; Valuation Equivalence of Cash Dividends and Share Repurchases: The Baseline; The Dividend versus Share Repurchase Decision;</li> <li>• Analysis of Dividend Safety.</li> </ul>	22. understand the concept of dividend decision; 23. recommend optimum dividend policy.	100%
F. Working Capital Management (10 Marks)	F1. Theory, Planning, and Financing	U, D	<ul style="list-style-type: none"> <li>• Working Capital Concepts;</li> <li>• Classification of Working Capital;</li> <li>• Determinants of working capital;</li> <li>• Operating cycle;</li> <li>• Computation of working capital;</li> <li>• Optimal Amount (or Level) of Current Assets;</li> <li>• Financing Current Asset Short-Term and Long-Term Mix;</li> <li>• Hedging (Maturity Matching) Approach;</li> <li>• Risk and Profitability.</li> </ul>	24. understand different concepts of working capital and its management; 25. understand the determinants of optimum working capital and identify appropriate source of financing.	100%

Parts	Topics	Level of study required	Subtopics	Learning outcomes of topics	Probable weight
G. International Financial Management (5 Marks)	F2. Cash and Marketable Securities Management	U, AP	<ul style="list-style-type: none"> <li>• Motives for Holding Cash;</li> <li>• Factors determining cash needs;</li> <li>• Cash management strategies and techniques;</li> <li>• Speeding Up Cash Receipts;</li> <li>• Slowing Down Cash Payouts;</li> <li>• Cash Balances to Maintain: Compensating Balances and Fees;</li> <li>• Investment in Marketable Securities;</li> <li>• Baumol Model of Cash Management.</li> </ul>	26. understand the purpose of efficient cash management; 27. understand the methods for speeding up collection controlling cash disbursements.	
	F3. Receivables Management	U, AN, E D.	<ul style="list-style-type: none"> <li>• Credit and Collection Policies: Credit Standards; Credit Terms; Default Risk; Collection Policy and Procedures; Cost and benefits;</li> <li>• Analyzing the Credit Applicant: Sources of Information; Credit Analysis;</li> <li>• Payment Terms and Settlement Discount.</li> </ul>	28. understand how the level of investment in accounts receivable is affected by the firm's credit policies.	
	G1. Financial Management in International Operations	U, AN, D	<ul style="list-style-type: none"> <li>• Multinational Company and its environment;</li> <li>• Sources of foreign currency, Foreign Exchange Market, Exchange Rate Risk management and Foreign Investment Analysis;</li> <li>• Spot rates and forward foreign exchange rates;</li> <li>• International parity conditions;</li> <li>• Transaction exposure; accounting exposure;</li> <li>• International Money and Capital Markets;</li> <li>• Capital budgeting, capital structure and working capital management in an international setting.</li> </ul>	29. understand the risk associated with international operations; 30. understand the impact of an exchange rate change	100%

Here, R = Remembering; U = Understanding; AP = Applying; AN = Analyzing; E = Evaluating; C = Creating; D = Decision making; are the seven levels of learning developed based on the Bloom's Taxonomy.

## Recommended Books and Learning Materials

### Primary Textbook

1. ICMAB. (2021). ICMAB Learning Manual for Financial Management.

### Recommended Textbook (Latest Edition)

1. Khan, M. Y., & Jain, P. K (2018). *Financial management: Text, problems and cases*. (8<sup>th</sup> ed.). McGraw Hill India.
2. Ross, S. A., Westerfield, R., & Jordan, B. D. (2021). *Fundamentals of corporate finance*. (13<sup>th</sup> ed.). Tata McGraw-Hill Education.

### Reference Books/Other Learning Materials (Latest Edition)

1. Brigham, E. F., & Daves, P. R. (2021). *Intermediate financial management* (14<sup>th</sup> ed.). Cengage Learning, Inc.
2. Pandey, I. M. (2021). *Financial management* (12<sup>th</sup> ed.). Pearson.
3. Van Horne, J. C. & Wachowicz, J. M. (2009). *Fundamentals of financial management*. (13<sup>th</sup> ed.). Prentice Hall.
4. Besley, S. & Brigham, E. (2008). *Essentials of managerial finance*. (14<sup>th</sup> ed.). Cengage Learning.
5. Jones, C. P. (1993). *Introduction to financial management* (Latest ed.). Richard d Irwin.

## FIN Course Mapping

PrOs	POs	POs	CLOs	CLOs	TLOs
PrO1	1	PO1	1	CLO1	1, 2, 3, 4, 5, 13, 14, 22, 23,
PrO2	1	PO2	-	CLO2	8, 9
PrO3	4, 6	PO3	1, 3, 4	CLO3	6, 7
PrO4	7	PO4	3, 4, 5	CLO4	10, 11, 12
PrO5	3, 7	PO5	-	CLO5	15, 16, 17, 18, 19, 20, 21
PrO6	1, 7	PO6	2, 6, 4	CLO6	24, 25, 26, 27, 28
PrO7	7	PO7	5, 6, 7	CLO7	29, 30

Here, PrOs = Program Objectives; POs = Pillar Objectives; CLOs = Course Learning Outcomes; TLOs = Topic Learning Outcomes