



## HIMACHAL PRADESH NATIONAL LAW UNIVERSITY, SHIMLA

### Semester-IV

**B.A./B.B.A. LL.B (Hons.)  
Financial Management**

**Course Code: BBL-406A  
Credit: 04**

#### **Brief Introduction to the Subject:**

This course has been designed for students to increase their familiarity with the practical applications of financial management. The four modules provide students with an opportunity to acquire a high level of expertise in central areas of financial management of firms, covering topics such as firm valuation, financing, investments, dividend decisions, working capital management as well as risk management.

#### **Course Objectives:**

1. To help students identify a business financial risks and the principal methods of managing those risks.
2. The course will enable the student to understand how corporations make essential investments and financing decisions and how they establish working capital policies.
3. To help the students understand how firms meet their financial objectives utilizing financial decision-making.
4. This course will also explain financial tools and techniques which can be used to help firms maximize value by improving decisions relating to capital budgeting, capital structure, and working capital management.

#### **Learning Outcomes:**

1. The students will be able to make decisions regarding capital structure, identify capital requirements of businesses, assess financing options and recommend appropriate methods of financing.
2. The students will be able to make decisions regarding capital budgeting projects and apply various methods to analyze projects.
3. Helpful in payout decisions and framing appropriate dividend policy.
4. Helpful in liquidity decisions and working capital management.

**Module-1**  
**Introduction to Financial Management**

- 1.1 Nature, Significance, Objectives and Scope of Financial Management;
- 1.2 Functions of Finance Executive in an organizations and the Role of Financial Manager;
- 1.3 Need & Importance of financial Planning, Financial Planning Process, Tools of Financial Planning;
- 1.4 Financial Forecasting: Meaning, Benefits and Techniques of Financial Forecasting;
- 1.5 Sources of Finance.

**Module-2**  
**Corporate Financial Structure**

- 2.1 Capital Structure: Concept, Significance and Factors affecting Capital Structure;
- 2.2 Theories of Capital Structure: Net Income Approach, Net Operating Income Approach, the MM Approach;
- 2.3 Capital Budgeting: Concept of Capital Budgeting, Importance of Capital Budgeting;
- 2.4 Methods of Appraisal: Pay Back Method, Average Rate of Return and IRR methods;
- 2.5 Leverages: Operating, Financial and Composite leverages, EBIT-EPS Analysis.

**Module-3**  
**Dividend Policy & Cost of Capital**

- 3.1 Dividend Decisions: Concept of Dividend Policy, Classification of Dividend Policy;
- 3.2 Theories of Dividend Policy: Relevant and Irrelevance theory, Walter model, Gordon models;
- 3.3 Dividend Policy in Practice: Dividend Payout Ratio, Stability in Dividends, Legal Contractual and Internal Constraints;
- 3.4 Cost of Capital: Meaning, Concept and Significance;
- 3.5 Computation of Cost of Capital and Problems in Computation of Cost of Capital.

**Module-4**  
**Working Capital Management and Control**

- 4.1 Concept and Significance of Working Capital: Gross Working Capital and Net Working Capital;
- 4.2 Operating Cycle and Cash Cycle;
- 4.3 Factors Affecting Working Capital Management;
- 4.4 Estimation of Working Capital;
- 4.5 Sources of Working Capital.

**Prescribed Books:**

- 1. Ravi M. Kishore: Financial Management, Taxman Publications Pvt. Ltd. New Delhi, 8<sup>th</sup> edition, 2020.
- 2. Prasanna, Chandra: Financial Management, Tata McGraw Hill, New Delhi, 11<sup>th</sup> Edition, 2022.
- 3. I.M. Pandey: Financial Management, Vikas Publishing House, 11<sup>th</sup> Edition, 2015.

**Reference Books:**

- 1. Sinha, Pradeep Kumar: Financial Management, Excel Books, New Delhi, 2009.
- 2. Van, Horne: Financial Management and Policy, Prentice Hall of India, New Delhi, 12<sup>th</sup> edition, 2015.
- 3. James C. Vanhorne: Financial Management and Policy, Prentice Hall, 12<sup>th</sup> edition, 2001.
- 4. Rustagi, R.P. Fundamentals of Financial Management. Taxmann Publication Pvt. Ltd, 15<sup>th</sup> Edition, 2020.

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