

**Title: Financial Management****Code: MGMT 535****Credit Hours: 3****Year /Semester: II/III****48 Hours****Course Objectives:**

This course enables the students to understand the concepts and principles of finance together with the skill required for making sound financial decisions in a corporate world. At the completion of this course, the students will be able to make investment, financing, and dividend decisions.

**Unit 1 Nature of Finance****3 Hours**

Importance of financial management, the finance function, goal of the firm, and agency relationships

**Unit 2 Financial Analysis****7 Hours**

Understanding financial statements including common size statements, concept of free cash flows, types of financial ratios, internal and external uses of financial ratios, users of financial ratios, limitations of financial ratios, du pont identity, and predictive power of financial ratios

**Unit 3 Cost of Capital****7 Hours**

Cost of capital components, cost of debt, cost of preferred stock, cost of equity: discounted cash flow and CAPM methods, weighted average cost of capital, marginal cost of capital, factors affecting weighted average cost of capital, problems in estimating cost of capital

**Unit 4 Capital Budgeting****15 Hours**

Categories of capital budgeting decisions, evaluation of alternative ranking methods in capital budgeting: cash payback, discounted cash payback, net present value, internal rate of return, comparison of NPV and IRR methods, NPV profiles, multiple IRR, MIRR, profitability index, cash flow estimation, new, expansion and replacement decisions, projects with different lives, capital rationing

**Unit 5 Working Capital Management****12 Hours**

Concept and importance of working capital; zero concept of working capital, factors affecting working capital, working capital cash flow cycle

Cash management: Nature and importance, motives for holding cash

Receivables management: Credit and collection policies, credit standards, credit terms, default risk, collection policy, monitoring receivables management: days' sales outstanding, aging schedule

Inventory Management: controlling investment in inventories, classification of inventory costs, the Economic Order Quantity Model, inventory policy with lead time and safety stock

**Unit 6 Dividend Policy****4 Hours**

Concept of dividend policy, payment procedure, factors influencing dividend policy, dividend policy behavior, dividend payout schemes, stock dividends, stock splits, and repurchases

**Reference Books:**

1. Eugene F. Brigham, and Michael C. Ehrhardt, *Financial Management: Theory and Practice*, Thomson Asia, Singapore.
2. James C. Van Horne, *Financial Management and Policy*, Prentice Hall of India, New Delhi.
3. Richard Brealey and Stewart Myers, *Principles of Corporate Finance*, McGraw Hill Book Company, New York
4. Haim Levy and Marshall Sarnat, *Principles of Financial Management*, Prentice Hall Inc., New Jersey.
5. Joshi, K. R., Gupta, M. K., Lamichhane, P., Shrestha, P. M., Ghimire, T. R. & Gautam, M., *Managerial Finance*, Ayam Publication, Kathmandu, Nepal.