B. COM
SEMESTER –V
BUSINESS MANAGEMENT
MAJOR-2
(FINANCIAL MANAGEMENT)
100 Marks-75 Lectures

UNIT-I: An Introduction to Financial Management


UNIT-II: Cost of Capital & its Measurement

Meaning of Cost of capital, Importance of Cost of Capital, Types—Historical cost, future cost, Explicit cost, Implicit cost, Specific cost and Composite cost; Measuring cost of capital: cost of Debt, cost of Preference share capital, cost of Equity share capital:— (4 approaches-D/P ratio, E/P ratio, D/P + Growth ratio, Realised Yield approach); cost of Retained earnings and Weighted average cost of capital.

UNIT-III: Capital Budgeting

Meaning and nature of Capital Budgeting; Importance of Capital Budgeting decisions; Capital budgeting process; Kinds of Capital Budgeting decisions (Accept-Reject decisions, Mutually Exclusive Project Decision, Capital Rationing Decisions); Project classification (Mandatory investment, New projects, Replacement Projects, Expansion Projects, Diversification Projects, Research and development Project and Miscellaneous Projects);

Investment criteria (Methods of appraising Capital Expenditure Proposals):
A. Non-discounting criteria
   (i) Rate of Return method
   (ii) Average /Accounting Pay-back period method
B. Discounting criteria
   (i) Net Present value method
   (ii) Internal rate of Return method
   (iii) Profitability Index

UNIT-IV Capital Structure Decisions

A. Meaning of Capital Structure, Importance of Capital Structure and Optimum Capital Structure:

Leverages- Meaning and Types
(i) Financial Leverage & its features
(ii) Operating Leverage & its features
(iii) Combined leverage
B. *Lease Financing* Introduction and nature of lease financing, Terms of the lease agreement, Types of Leasing (*Operating lease, Financial Lease, Sale & Lease back, leveraged Lease, Cross Border Lease and Primary and Secondary Lease*); Lease v/s Buying; Financial Evaluation of Lease (Purchase an Asset or acquire it on lease basis?): a) from lessee’s point of view and b) from lessor’s point of view, Advantages and limitations of leasing.

**Problems on:**


**Books for Study and Reference:**

7. *Indian Financial System, Phatak*
8. *Investment Management; Preeti Singh* (Himalaya Publishing House)
10. *Financial Management-* Dr.P.C.Tulsian (S.Chand & Co Lt)