

GUJARAT TECHNOLOGICAL UNIVERISTY

General Recommendations for the faculty members & and Paper Setter for the subject Financial Management (FM), Sub Code: - 2820003, MBA-I, Semester-II

(Report of the Subject Workshop conducted at SJPI-NICM, on 9th March 2013)

Module-I				
Contents As per syllabus	Sub Topics : (identified in workshop for classroom discussion) T-1 and T-2 is just for referencing only. It does not bind your classroom discussion. It is to motivate the students to refer standard quality books.	T-1 Chandra 8th Edition	T-2 Pandey 10th Edition	SPECIAL REMARKS FOR PAPER SETTER
Understanding the Meaning of Financial Management, Financial System,	Introduction, scope, function, traditional and modern approach of FM and goals of FM, Org. Structure of finance, agency problem, overview of Fin. system	Ch-1 Full Ch-2 point 2.1 only	Ch-1 Pg 2-12	More of Theory Questions for exam. Financial system only overview is covered
Time value of Money, Concepts of time value, Compounding and Discounting, Annuities,	FV of single, annuity and sinking fund, PV of single, annuity and capital recovery, PV of uneven flow, growing annuity, perpetuity, Effective interest rate, Loan amortization	Ch-6 Full Numerical 1 to 26	Ch-2 Pg 17-36	Examiner should avoid asking complex case study. They may cover small numerical for testing of various concepts
Valuation of Bonds and Shares	Meaning of Shares and Bonds with special focus to cash flow pattern. (coupon Vs Zero) Valuation of Bonds and concept of yield, YTM, And Bond value theorem. Valuation of Pref. shares and Equity Shares. Dividend Capitalization and growth model, P/E ratio	Ch-7 Pg 172-192 Numerical 1 to 16	Ch-3 Pg 46-51 Pg 56-68	Only two stage growth examples not three or more growth rate More focus on Numerical
Understanding Working Capital Management as a Decision to Create Value for Business: Principles of Working Capital Management, Various Approaches,	Meaning and concept, Factors affecting wc, Trade off between profitability and liquidity, Level of CA and Short term funding, aggressive, conservative and matching app.	Ch-23	CH-27	More focus on Theory
Estimation of Working Capital	Operating Cycles: Concept and numerical Working capital estimation numerical with data input as cost sheet, units, and number of days/weeks/months required for each part	No numerical from PC	Pg-664 - 666	Numerical of Estimation of working capital from cost sheet data only
Management of Components of Working Capital; Cash, case: Bright Paints Ltd., pp 656 of IMP	Cash Budget with numerical of not more than four month, Baumol Model, Electronic Fund Transfer, Where to invest surplus cash and criteria for evaluation of investment option	Ch-24	Pg719- 730	
receivables, case: Relax Pharma Ltd. Pp 623 of IMP	Credit Policy variable: Credit standards and Credit Period with numerical while Cash discount only theoretical understanding, Credit Evaluation, Control of receivables	Ch-25	CH-28 Pg 673- 684	No credit models & No sums of factoring
Inventory	EOQ-theory and Numerical, Quantity Discount numerical (not very complex like production management) Order Point, Safety stock (only theory not numerical) ABC Analysis with numerical,	Ch-26	CH-29 Pg 701- 715	No numerical for safety stock calculations
sources of working capital finance case: Reliable Texamill Limited, pp 597 of IMP	Theory of various short term sources Tondon committee (MPBF)	Ch-27 (No numerical)	CH-31	More focus on Theory

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Module-II

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Managements of Understanding Investment Decision and Various Steps Involved: Nature of Investment Decision,	Meaning, Process of capital Budgeting, project classification,	Ch -11 Pg 281-284		More focus on Theory
Techniques of Investment Decisions; Discounted and Non Discounted Techniques, Case: Hind Petrochemicals Company, pp 227 of IMP	Theoretical understanding of methods of capital budgeting with its merits and demerits Payback, Discounted Payback, Accounting Rate of Return, Net Present Value, Internal Rate of Return, Profitability Index (BCR) More focus on numerical Exercises Cash flow Estimation: Principles Only expansion numerical (no replacement numerical only theory)	Ch-11 Pg 285-299 Numerical Pg 302+... Ch-12 Pg 306-315	Ch-8 Pg-158-172 S. Reddy Pg 196-197 8.11 8.12	More focus on numerical If combined sum of cash flow estimation and NPV IRR etc. calculation, ask for full marks (14 marks) It become very lengthy (No sums for multiple or dual rate of interest)
Estimation of Discount Rate (Cost of Capital),	Concept of Cost of capital and its utility, Cost of Debt, Cost of Pref. Share and Cost of equity: CAPM, Div. growth and P/E ratio approach for cost of equity, WACC based on Book value and Market Value weight, (Numerical) Flotation cost and Marginal cost of capital (only theory)	Ch-14 Pg 361-371 Numerical Pg 387 14.1 to 14.8 and 14.12	Ch-9 Pg-189-202	No numerical for marginal cost of capital
Basics of Risk and Return	Concept of risk and return Measurement of risk and return, (Single asset and two assets only) Expected Return with Prob. Distribution Market Risk: Beta calculation Risk return relationship	Ch-8 only Full	Ch-12 Pg-272-280	Sensitivity, scenario analysis and decision tree are not included.

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Module-III

Contents As per syllabus	Sub Topics (identified in workshop for classroom discussion) T-1 and T-2 is just for referencing only. It does not bind your classroom discussion. It is to motivate the students to refer standard quality books.	T-1 Chandra 8th Edition	T-2 Pandey 10th Edition	SPECIAL REMARKS FOR PAPER SETTER
Understanding Financing Decisions and Various Sources of Finance: Long Term and Short Term Finance; Shares, Debentures and Term loans,	Meaning and concept of each of long term finance i.e. Equity, retained earning, preference share, term loan and Debentures with its critical evaluation and comparison (Theory only)	Ch-17 Full	Ch-20 Full	More focus on theory
Meaning of Leverage, Case: Central Equipment Company, pp 310-312 of IMP	DOL, DFL and DCL (Theory and Numerical) EBIT-EPS analysis, Indifference point EBIT	Ch-20 Topic 20.1, 20.3, 20.7	ch-14 pg-316-329	Theory and Numerical
Theory of Capital Structure, Relevance and Irrelevance of Capital Structure, Arbitraging	Concept of capital structure, Concept of value and cost for Debt & Equity, total value maximization by change in Debt-Equity ratio, NI, NOI, Traditional and MM theory, Arbitrage by MM, MM with Corporate tax only (More of theoretical discussion)	Ch-19 Pg. 464-477 Numerical Pg 490-491 19.1, 2, 4, 5 types only	Ch-15 Pg 342-374 Numerical Pg 378(15.1,15.2, 15.4)	(No numerical for Arbitrage-only theory in Exam)
leasing and hire purchase and venture capital	Only introductory part and theoretical discussion only. (no deep discussion in sem II)		Ch-22 and 23)(only basic theory)	only basic theory

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Module-IV

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Understanding Dividend Decisions, Theory, and Practices;	Why firm pays dividend? Factors affecting Dividend payout ratio, Concept of Dividend Policy	Pg 523-532	Pg 441-442 Pg 449-454	More focus on Theory
Contemporary Issues and Projects by Students:	Buy Back, Stock Split and Bonus			More focus on Theory
Various Models of Relevance and Irrelevance Approaches Towards Dividend theory.	Walter, Gordon and MM models (Numerical and Theory)	Pg 539-540 Pg 549-554	Pg 422-429 Pg 436	More focus on Numerical

Module – V : Presentations on practical applications of various theory/concepts taught in the class-room teaching.