

FG 102: FUNDAMENTALS OF FINANCIAL MANAGEMENT

Course Objective:

This paper discusses the basics of Financial Management with an objective of making individuals without any Finance background. The readers will be able to understand the basics of financial planning, Instruments available in financial markets and personal financial planning.

Learning Outcome:

After completion of this paper:

- Students will understand the basics of financial management and how these are relevant in day to day life.
- Students will be aware of different types of financial markets, gather knowledge about the financial instruments available in the markets and their trading.
- Students will understand different types of banks and other non-financial intermediaries.
- It will enable the students to manage their personal finance.

Course Contents:

Unit I

(3 weeks)

Introduction to financial management: Evolution, objective and interface of financial management with other functional areas.

Concept of Time Value of money: role of time value of money in finance, computation of present values and future values, single cash flow, multiple cash flow streams, annuities, growing annuities, perpetuities, growing perpetuities, the frequency of compounding and discounting etc.

Long term financial decisions: Concept of cost of capital, factors affecting cost of capital, overall cost of capital, weighted average cost of capital.

Long term investment decisions: Capital Budgeting- introduction and importance of capital budgeting decisions, techniques of capital budgeting- NPV, IRR, NPV vs IRR, sources of positive NPV and selection of appropriate technique.

References:

Prasanna Chandra, "Financial Management: Theory and Practice", 9th ed, Mc Graw Hill. [Chapters 1, 2, 6, 11, 13, 14, 17 & 18]

FUNDAMENTALS OF FINANCIAL MANAGEMENT

Unit II

(3 weeks)

Introduction to financial Markets: Introduction and functions of financial market, study of Indian financial market. Types of financial markets: money market, capital market- Primary and secondary market, forex market, debt market.

Instruments of financial market: Call money market, T-Bills, Commercial bills, commercial papers and certificate of deposits, Government (G-Sec/ Gilt- edged) securities, sovereign gold bonds.

Trading in Stock Market: Eligibility, De-mat account, Trading mechanism, Settlement, major stock exchange- NSE, BSE, OTCEI; various stock market indices- SENSEX and NIFTY. Overview of Derivative trading.

References:

Saunders Anthony and Cornett Marcia, "Financial Markets and Institutions A modern Perspective", Mc Graw Hill [chapters- 1, 2, 5, 6 & 8]

Bhole L M. and Mahakud, Jitendra. "Financial Institutions and Markets Structure, Growth and Innovations" Mc Graw Hill [chapters- 16, 17, 18 & 19]

Unit III

(3 weeks)

Banking operations: Kinds of banking companies- commercial banks, private sectors banks, public sector banks, development banks, investment banks, Licensing of banks in India, concept of RTGS, NEFT, IMPS, Core banking solutions and RBI

Other financial intermediaries: Non- banking financial companies- types, role and functions, Provident funds, pension funds- objective and functions, Real assets: land and house property, Mutual funds, Insurance etc.

References:

Bhole L M. and Mahakud, Jitendra. "Financial Institutions and Markets Structure, Growth and Innovations" Mc Graw Hill [chapters- 6, 8, 10, 11, 12 & 13]

Unit IV

(3 weeks)

Personal Finance: Setting short and long-term financial goals; Personal Budgeting, Regular Saving Schemes; Individual Tax Planning; Superannuation planning; Wealth protection and Management; Estate planning; Succession Planning;

FUNDAMENTALS OF FINANCIAL MANAGEMENT

References:

This unit will be discussed based on the concepts developed in previous three units along with the then prevailing investment instruments and tax policy of the country. So concurrent materials based on citizenship and country of investment should be discussed.

Text Books:

1. Prasanna Chandra, "Financial Management: Theory and Practice", 9th ed, Mc Graw Hill.
2. Saunders Anthony and Cornett Marcia, "Financial Markets and Institutions A modern Perspective", Mc Graw Hill. Latest edition
3. Bhole L M. and Mahakud, Jitendra. "Financial Institutions and Markets Structure, Growth and Innovations" Mc Graw Hill
4. I.M. Pandey, "Financial Management: Vikas Publishing house, Latest edition

Teaching Learning Process:

Class room lecture, Case study discussion, Numerical Problem solving, Class presentation on the assigned topic by students individually or in group, Workshop, Tutorials, Role play

Assessment Method

1. Internal evaluation of 25% marks
 - a. Attendance 5% marks
 - b. Two internal evaluations by the teacher with 10% marks each out of which one must be a class test and other may be another test or home assignment or presentation. Faculty may take more than two assignments and (or) tests but total will be only 20% marks.
2. End term University Exam of 75% marks

Key Words:

Time Value of Money, Return and Risk, Commercial Banks, Personal Finance, Stock Market, Tax Planning