

UNIVERSITY OF KERALA

Four Year Undergraduate Programme (FYUGP) — B.Com

SEMESTER V

Discipline Specific Core Courses (DSC)

FINANCIAL MANAGEMENT

Discipline	COMMERCE
Course Code	UK5DSCCOM300
Course Title	Financial Management
Type of Course	Discipline Specific Core (DSC)
Semester	V
Academic Level	300 – 399
Course Details	4 Credits (Theory) Lecture: 4 hrs/week Tutorial: – Practical: – Total: 4 hrs/week (60 Hours)
Pre-requisites	Basic knowledge of business, accounting and financial concepts.
Course Summary	This course enables learners to understand the principles and techniques of financial management and to make sound financing, investment, working-capital and dividend decisions. It develops the ability to evaluate sources of finance, determine optimal capital structures, appraise investment proposals and design dividend policies that maximise shareholder wealth, while incorporating sustainable finance and ESG considerations in contemporary business environments.

Detailed Syllabus

Unit	Content	Hrs
Module I: Introduction to Financial Management		12
1	Business Finance Meaning, Scope and Functions.	3
2	Financial Management Characteristics, Functions, Scope and Process.	3
3	Objectives of Financial Management Profit Maximisation and Wealth Maximisation; Sustainable Finance and ESG Criteria (Environmental, Social, Governance).	3
4	Pillars of Financial Management Financing Decision, Investment Decision, Dividend Decision and Working Capital Decision.	3
Suggested Activities Using the published annual reports of two listed companies, identify their major financing and investment decisions over two years; compute basic financial ratios (Current Ratio, Debt-Equity Ratio, ROE) and compare the financial health of the two firms.		

Unit	Content	Hrs
Group discussion: how does the wealth maximisation objective address the limitations of profit maximisation? Illustrate with reference to the ESG disclosures of a listed Indian company.		
Module II: Financing Decision		12
5	Sources of Finance and Leverage Equity and Debt; Long-term and Short-term Sources; Modern Financing Trends — Digital Finance, Crowdfunding, Venture Capital, Angel Investing, Start-up Finance and Green Finance; Operating, Financial and Combined Leverage; Trading on Equity.	3
6	Cost of Capital Cost of Debt, Cost of Equity, Cost of Preference Capital, Cost of Retained Earnings and Weighted Average Cost of Capital (WACC); Optimal Capital Structure.	5
7	Capital Structure Theories Net Income Approach, Net Operating Income Approach, Traditional Approach and Modigliani-Miller Approach; Determinants of Capital Structure; Impact on Liquidity, Profitability and EPS.	4
Suggested Activities - Compute the WACC for a listed Indian company using data from its annual report — include cost of debt, cost of equity (using the Dividend Growth Model), cost of preference capital and retained earnings; interpret the result. - Case study: compare the capital structures of two companies in the same industry — analyse how the debt-equity mix affects cost of capital, financial risk and earnings per share; design an optimal capital structure proposal for one of the firms.		
Module III: Investment Decision		12
8	Capital Budgeting Meaning, Importance, Process, Types and Factors Affecting Capital Budgeting Decisions; Time Value of Money.	2
9	Capital Rationing Hard Capital Rationing and Soft Capital Rationing.	1
10	Techniques of Capital Budgeting Traditional and Modern Techniques.	1
11	Traditional Techniques Payback Period Method, Post Payback Period Method and Accounting Rate of Return (ARR).	3
12	Modern Techniques Net Present Value (NPV), Internal Rate of Return (IRR) and Profitability Index (PI).	5
Suggested Activities - Evaluate a capital investment project using all five techniques — Payback Period, ARR, NPV, IRR and Profitability Index; compare the investment decisions suggested by each method and explain any conflicts between NPV and IRR rankings. - Case study: a company has two mutually exclusive projects — rank them using NPV and IRR; identify any ranking conflict and recommend the superior technique with justification.		
Module IV: Working Capital Decision		12
13	Working Capital Management Meaning, Concepts, Need, Types, Sources and Principles; Adequacy; Factors Affecting Working Capital; Working Capital Cycle and Estimation of Requirements.	4
14	Cash Management	3

Unit	Content	Hrs
	Motives for Holding Cash; Cash Conversion Cycle; Baumol Model and Miller–Orr Model.	
15	Receivables Management Meaning, Objectives and Factors Influencing the Size of Receivables.	2
16	Inventory Management Meaning, Purpose, Tools and Techniques including Just-in-Time (JIT) Inventory System.	3
Suggested Activities • Compute the Working Capital Cycle (Operating Cycle) for a listed Indian company using published annual report data; estimate the working capital requirement and identify areas for improvement. • Apply the Baumol Model and Miller-Orr Model to determine the optimal cash balance for a given scenario; compare the two models and identify which is more appropriate for a company with irregular cash flows.		
Module V: Dividend Decision [CCA Only]		12
17	Dividend Fundamentals Meaning, Significance, Forms of Dividend, Factors Determining Dividend Policy and Types of Dividend Policies.	4
18	Dividend Theories Relevance Theories (Walter's Model and Gordon's Model) and Irrelevance Theory (Modigliani–Miller Approach).	5
19	Dividend Policy in Practice Stock Dividend, Bonus Shares, Share Buyback; Impact of Dividend Policy on Shareholder Wealth.	3
Suggested Activities • Apply Walter's Model to determine the optimal dividend payout for a firm under three scenarios ($r > K_e$, $r = K_e$ and $r < K_e$); interpret the findings for investor and management decision-making. • Analyse the dividend history of a listed Indian company over five years — compute Dividend Payout Ratio, EPS and Dividend Yield; evaluate whether it follows a stable, constant or residual dividend policy.		
Total Instructional Hours		60

References

Text Books

- Pandey, I. M. – Financial Management (Vikas Publishing House).
- Khan, M. Y., & Jain, P. K. – Financial Management: Text, Problems and Cases (Tata McGraw Hill).

Standard Reference Books

- Van Horne, J. C. – Financial Management and Policy, 12th ed. (Prentice Hall of India).
- Prasanna Chandra – Financial Management: Theory and Practice (Tata McGraw Hill).
- Brealy, R. A., & Myers, S. C. – Principles of Corporate Finance (Tata McGraw Hill).
- Ravi M. Kishore – Financial Management (Taxmann).
- Myer, J. N. – Financial Statement Analysis (Prentice Hall).

Journals, Reports and Web Resources

- SEBI – Capital markets and investor resources – <https://www.sebi.gov.in/>
- RBI – Financial stability and monetary policy – <https://www.rbi.org.in/>
- MCA – Financial management and company data – <https://www.mca.gov.in/>

Course Outcomes (COs)

No.	Upon completion of the course the graduate will be able to:	Cognitive Level	Module	PSO Addressed	Knowledge
CO1	Explain the nature, scope, functions and objectives of financial management, including sustainable finance and ESG criteria.	U	M I	PSO1, PSO11	F, C
CO2	Design an optimal capital structure for a firm by applying the concepts of cost of capital and capital-structure theories.	C	M II	PSO11	P, M
CO3	Analyse capital investment proposals using traditional and modern capital budgeting techniques.	An	M III	PSO11	C, P
CO4	Evaluate working-capital, cash, receivables and inventory management decisions for operational efficiency.	E	M IV	PSO11	C, P
CO5	Design optimal dividend policies by applying dividend theories to maximise shareholder wealth.	C	M V	PSO10, PSO11	P, M
Cognitive Levels: R – Remember U – Understand Ap – Apply An – Analyse E – Evaluate C – Create Knowledge: F – Factual C – Conceptual P – Procedural M – Metacognitive					

CO – PO/PSO, Cognitive Level and Knowledge Category

Credits: 4 : 0 : 0 (Lecture : Tutorial : Practical)

CO No.	CO	PO	PSO	Cognitive Level	Knowledge	Module	L / T / P
CO1	Explain the nature, scope, functions and objectives of financial management, including sustainable finance and ESG criteria.	1,2,8	1,11	U	F, C	M I	L
CO2	Design an optimal capital structure for a firm by applying the concepts of cost of capital and capital-structure theories.	1,2	11	C	P, M	M II	L
CO3	Analyse capital investment proposals using traditional and modern capital budgeting techniques.	1,2	11	An	C, P	M III	L
CO4	Evaluate working-capital, cash, receivables and inventory	1,2,3	11	E	C, P	M IV	L

CO No.	CO	PO	PSO	Cognitive Level	Knowledge	Module	L / T / P
	management decisions for operational efficiency.						
CO5	Design optimal dividend policies by applying dividend theories to maximise shareholder wealth.	1,2	10,11	C	P, M	M V	L
Cognitive Levels: R – Remember U – Understand Ap – Apply An – Analyse E – Evaluate C – Create Knowledge: F – Factual C – Conceptual P – Procedural M – Metacognitive							

Mapping of COs with PSOs

CO \ PSO	PSO 1	PSO 2	PSO 3	PSO 4	PSO 5	PSO 6	PSO 7	PSO 8	PSO 9	PSO10	PSO11	PSO12	PSO13	PSO14
CO 1	2	-	-	-	-	-	-	-	-	-	2	-	-	-
CO 2	-	-	-	-	-	-	-	-	-	-	3	-	-	-
CO 3	-	-	-	-	-	-	-	-	-	-	3	-	-	-
CO 4	-	-	-	-	-	-	-	-	-	-	3	-	-	-
CO 5	-	-	-	-	-	-	-	-	-	2	2	-	-	-
Correlation: (Nil) – No correlation 1 – Mild 2 – Moderate 3 – Strong														

Mapping of COs with POs

CO \ PO	PO1	PO2	PO3	PO4	PO5	PO6	PO7	PO8
CO1	2	1	-	-	-	-	-	2
CO2	2	3	-	-	-	-	-	-
CO3	2	3	-	-	-	-	-	-
CO4	2	3	1	-	-	-	-	-
CO5	2	3	-	-	-	-	-	-
Correlation: (Nil) – No correlation 1 – Mild 2 – Moderate 3 – Strong								

Assessment Rubrics

Assessment tools: Quiz / Assignment / Discussion / Seminar / Case Study / Activity / Internal Examination / Project / End Semester Examination

	Internal Exam	Assignment	Project / Case Study	End Semester Exam
CO1	✓			✓
CO2	✓			✓
CO3	✓		✓	✓
CO4	✓			✓
CO5	✓		✓	

Assessment Pattern

Component	Basis / Assessment Tools	Marks
Continuous Comprehensive Assessment (CCA) – All Modules (I–V)		24
Formative Assessment (FA)	Three components of 4 marks each (4 + 4 + 4 = 12 marks): • Assignment on cost of capital computation and capital structure analysis (4 marks) • Capital budgeting case study using NPV, IRR and PI (4 marks) • Quiz on financial management concepts, financing, investment and dividend decisions (4 marks)	12
Summative Assessment (SA)	Internal examination conducted after a defined instructional period; the score is converted to 12 marks	12
End Semester Evaluation (ESE) – Modules I–IV only		56
Written Examination	2 hours – covering Modules I, II, III and IV only	56
Total		80

Notes:

Total marks: 80 (4-credit course). CCA : ESE = 30 : 70. CCA covers all five modules (I–V); ESE covers Modules I–IV only. FA and SA carry equal weightage (12 marks each).

Formative Assessment (FA): continuous, in-process evaluation across all modules (I–V). The three suggested tools (4 + 4 + 4 = 12 marks) are indicated above.

Summative Assessment (SA): internal examination conducted after a defined instructional period; the score is converted to 12 marks. Covers all modules (I–V).

End Semester Evaluation (ESE): a two-hour external written examination of 56 marks covering Modules I–IV only. Module V is assessed exclusively through the CCA.