



# **ADVANCED FINANCIAL MANAGEMENT** **23MBPE646**

**(COURSE HANDBOOK)**

**MBA**

**COURSE HEAD:**

Asst. Prof. Suchithra

# 1. GENERAL INFORMATION

Welcome to Advanced Financial Management!

This course is designed to deepen your understanding of financial management principles, equipping you with the tools and techniques necessary for making sound financial decisions in a complex, dynamic global environment. Whether you aspire to be a financial analyst, CFO, or entrepreneur, this course will challenge and enhance your strategic thinking and problem-solving abilities.

The curriculum is structured into five interconnected modules that provide a holistic approach to advanced financial management. You will begin with an exploration of corporate finance principles, including financial strategy and risk management. The subsequent modules will focus on key areas such as capital budgeting, financial planning, working capital management, international financial management, and mergers and acquisitions.

Practical application is a cornerstone of this course. Through real-world case studies, simulations, and financial modeling exercises, you will gain hands-on experience in analyzing and solving complex financial scenarios. These activities will not only solidify your theoretical knowledge but also refine your ability to evaluate financial opportunities and risks critically.

Active engagement in discussions and collaborative projects is strongly encouraged. By participating in these activities, you will develop essential skills such as analytical reasoning, strategic decision-making, and effective communication of financial insights. Introspective assignments and personal skill assessments will also help you identify your strengths and areas for growth within the financial management domain.

This module is designed to bridge academic learning with professional practice, preparing you to tackle real-world financial challenges confidently. Please take time to familiarize yourself with the course handbook, as it contains important details about assessments, learning outcomes, and the support resources available to you.

We are excited to guide you through this journey of discovery and mastery in Advanced Financial Management. Let's work together to achieve a productive and inspiring semester.

## 1.1.Course Objectives

This course is designed to:

- **Familiarize students with capital structure concepts** to formulate optimal financial strategies.
- **Provide students with the skills to assess a firm's dividend** policy effectively.
- **Impart knowledge of working capital management** to support informed decision-making.
- **Familiarize students with concepts and techniques for managing inventory and receivables** efficiently.

## 1.2.Course Outcomes

- **CO1:** Relate the concept of Financial Management to take managerial decisions.
- **CO2:** Apply theories of dividend policy and their implications on value of the firm.
- **CO3:** Apply concepts of working capital management to finance the organizational needs.
- **CO4:** Identify the inventory control techniques to infer their impact.
- **CO5:** Apply the principles of receivables management to decide credit policies.

## 1.3.Set Text and Suggested Sources

All the below mentioned books are available in the 1st Floor Library.

### Key Text Books:

1. M.Y. Khan & P.K.Jain, “Financial Management: Text, Problems & Cases”, 7<sup>th</sup>Edition, Tata McGraw Hill, 2017.
2. Prasanna Chandra, “Financial Management: Theory and Practice”, 10<sup>th</sup>Edition, Tata McGraw Hill, 2019.
3. Binoy Mathew & G. Nagarajan, “Advanced Financial Management”, 2<sup>nd</sup>Edition, Jayvee Digital Publishing, 2022.

### Reference Books:

1. Prasanna Chandra, “Financial Management”, 10<sup>th</sup>Edition, Tata McGraw Hill, 2019
2. Bhalla. V. K, “Financial Management and Policy: Text and Cases”, 10th Edition, Anmol Publications Pvt. Ltd. 2012
3. Vishwanath S R, “Corporate Finance,” 3<sup>rd</sup>Edition, Sage Publications, 2019.

## 2. THE COURSE

### 2.1.Course Description

ADVANCED FINANCIAL MANAGEMENT			
Semester	<b>III</b>	CIE Marks	<b>50</b>
Course Code	<b>23MBPE646</b>	SEE Marks	<b>50</b>
Teaching Hrs/Week (L:T:P)	<b>4:0:0</b>	Exam Hrs	<b>03</b>
Total Hrs	<b>52</b>	Credits	<b>04</b>

The Advanced Financial Management course designed to provide students with foundational knowledge in corporate finance, investment analysis, risk management, valuation, and strategic financial decision-making. The course will run for 13 weeks during Semester III and consists of 5 modules that cover essential topics in financial management. Each week includes 4 lectures, delivered by Ms. Suchithra, focusing on theoretical concepts, practical applications, and course-related activities. Spanning a total of 52 hours, this 4-credit course is assessed through Continuous Internal Evaluation (CIE) for 50 marks and a Semester-End Examination (SEE) for 50 marks.

## 2.2. Initiating Contact with Staff and Other Students

We welcome your inquiries about the course. Please use email and office hours thoughtfully, and check previous communications and handbook materials before reaching out with administrative questions. Engage with peers for discussions and collaborative learning to enhance your understanding and foster a supportive academic community.

## 2.3. Resources

Resources include digital libraries, e-learning platforms, and research databases, offering students anytime, anywhere access to academic materials and interactive courses. On the college website, students can access the VTU Consortium, open-access repositories (e.g., NPTEL, NDLI), e-books, research papers, video lectures, and interactive tutorials, providing a flexible and comprehensive learning experience.

E-learning and digital library can be accessed via the college website <https://mite.ac.in/> (Campus Life section > Library > VTU Consortium/e-learning platforms/additional sources).

## 2.4. Staff

Course Convenor: Prof. Suchithra  
Cabin: 3<sup>rd</sup> floor, PG Block  
Email: Suchithra@mite.ac.in

## 2.5. Topics and Reading materials for each module

### **Module 1**

*No. of Hours: 10*

#### **- Topic: Capital Structure**

- Capital Structure Decisions: Capital structure & market value of a firm, Factors determining capital structure, Credit agency ratings-debt ratio-debt to equity ratio-long term debt to capitalization ratio. Theories of capital structure: Net Income approach, Net Operating Income approach, Modigliani Miller approach, Traditional approach.

#### **- Activities**

- Select any company and collect information from NSE or BSE about its debt-to-equity ratio and capital structure. Write a brief note explaining whether the company relies more on debt or equity and possible reasons for this choice.

#### **- Essential Readings:**

- Prasanna Chandra, “Financial Management: Theory and Practice”, 10<sup>th</sup> Edition, Tata McGraw Hill, 2019. (Part 6, Chapter 19 and 20)

#### **- Additional Reading:**

- Bhalla. V. K, “Financial Management and Policy: Text and Cases”, 10<sup>th</sup> Edition, Anmol Publications Pvt. Ltd. 2012. (Chapter 8)

## **Module 2**

*No. of Hours: 11*

- **Topic: Dividend Policy**
  - Dividend policy, Theories of dividend policy: Theory of irrelevance, Bird-in-the-hand theory & Tax preference theory, Walter's & Gordon's model, Modigliani & Miller approach. Dividend policies, stable dividend, stable payout and growth. Bonus shares and stock split -corporate dividend behaviour.
- **Activities:**
  - Research the dividend policies of three well-known companies. Identify whether they follow a stable dividend policy, a growth-oriented payout policy, or issue bonus shares. Discuss their approach using the theories of dividend policy (e.g., Walter's Model, Bird-in-the-Hand Theory).
- **Essential Reading:**
  - M.Y. Khan & P.K. Jain, "Financial Management: Text, Problems & Cases", 7<sup>th</sup> Edition, Tata McGraw Hill, 2017. (Part 6, Chapter 21 and 22)
- **Additional Reading:**
  - Vishwanath S R, "Corporate Finance," 3<sup>rd</sup> Edition, Sage Publications, 2019. (Chapter 19)

## **Module 3**

*No. of Hours: 10*

- **Topic: Working Capital Management**
  - Management of Working capital, Types of working capital, Determination and estimation of working capital needs, Level of current assets, Sources for financing working capital- Bank finance for working capital. Working capital financing: Short term financing of working capital-long term financing of working capital. Working capital leverage concepts.
- **Activities:**
  - Study the working capital practices of a specific industry (e.g., retail or manufacturing). Identify how companies in this industry determine working capital needs, manage their current assets, and use short-term or long-term financing.
- **Essential Reading:**
  - Bhalla. V. K, "Financial Management and Policy: Text and Cases", 10<sup>th</sup> Edition, Anmol Publications Pvt. Ltd. 2012. (Part 3, Chapter 13)
- **Additional Reading:**
  - Stephen P Robins, Timothy (2012). Organizational Behaviour (12 ed). Pearson. (Chapter 20)

## **Module 4**

*No. of Hours: 11*

### **Topic: Inventory Management**

- Inventory Management: Purpose and functions of inventories -Types of inventories (Raw- materials, work-in-progress (WIP), finished goods & Maintenance, Repairs and Operations (MRO). Determination of inventory control levels: ordering, reordering, danger level. Techniques of inventory management- Economic Order Quantity (EOQ model). Pricing of raw material - Monitoring and control of inventories- ABC Analysis.
- **Activities:**
  - Analyze the inventory management practices of a selected company or industry. Calculate and discuss how techniques like Economic Order Quantity (EOQ) or ABC Analysis might be applied to optimize inventory levels.
- **Essential Reading:**
  - M.Y. Khan & P.K.Jain, “Financial Management: Text, Problems & Cases”, 7<sup>th</sup> Edition, Tata McGraw Hill, 2017.( Part 3, Chapter 15)
- **Additional Reading:**
  - Vishwanath S R, “Corporate Finance,” 3rd Edition, Sage Publications, 2019. (Chapter 20)

## **Module 5**

*No. of Hours: 10*

### **Topic: Receivables Management**

- Nature and objectives of Receivables Management – Credit management through credit policy variables- marginal analysis- Credit evaluation of individual accounts and its monitoring receivables - Numerical credit scoring- Control of accounts receivables, credit granting decision.
- **Activities:**
  - Investigate the receivables management practices of a company or a specific industry. Discuss how credit policies, numerical credit scoring, and monitoring of accounts receivables are implemented to control overdue payments.
- **Essential Reading:**
  - Prasanna Chandra, “Financial Management: Theory and Practice”, 10<sup>th</sup> Edition, Tata McGraw Hill, 2019. (Part 3, Chapter 16)
- **Additional Reading:**
  - Bhalla. V. K, “Financial Management and Policy: Text and Cases”, 10<sup>th</sup> Edition, Anmol Publications Pvt. Ltd. 2012. (Part 8, Chapter 28, 29 and 30)

### 3. ASSESSMENT

The assessment for the Advanced Financial Management course is divided into two components: Continuous Internal Evaluation (CIE) and Semester End Examination (SEE), each accounting for 50% of the total marks.

**Continuous Internal Evaluation (CIE)** comprises two internal tests, scheduled for 8<sup>th</sup> and 14<sup>th</sup> week, which together contribute 30% of the total marks. Additionally, students can earn 20% through the completion of assignments. (10 marks is allotted for analyzing dividend policies of three well-known companies and for studying the working capital management practices of a selected industry and 10 marks is for analyzing inventory management practices and investigate receivables management practices of a selected company or industry).

**Semester End Examination (SEE)** constitutes the remaining 50% of the total marks. Key information regarding examination dates and related details can be accessed via the college website (Academics and Courses section > Calendar of Events > PG Odd Sem).

#### **Rubrics for Assignment Evaluation (Total: 20 Marks / 40% of CIE)**

1. Analyze dividend policies of three well-known companies and study the working capital management practices of a selected industry. (10 Marks)

Criteria	Excellent (10-9 Marks)	Good (8-7 Marks)	Average (6-5 Marks)	Needs Improvement (4-1 Marks)
<b>Analysis of Dividend Policies and Working Capital Needs</b>	Comprehensive and detailed analysis with strong examples	Adequate analysis with some examples	Limited analysis with few examples	Poor or no analysis
<b>Application of Theories and Practices</b>	Strong application of dividend theories and working capital management practices	Adequate application with minor gaps	Limited application with significant gaps	No meaningful application

2. Analyze inventory management practices and investigate receivables management practices of a selected company or industry. (10 Marks)

<b>Criteria</b>	<b>Excellent (10-9)</b>	<b>Good (8-7)</b>	<b>Satisfactory (6-5)</b>	<b>Needs Improvement (4-1)</b>
<b>Analysis of Inventory and Receivables Practices</b>	Comprehensive and detailed analysis with strong examples.	Adequate analysis with some examples.	Limited analysis with few examples.	Poor or no analysis.
<b>Application of Techniques and Monitoring Practices</b>	Strong application of EOQ/ABC Analysis and receivables monitoring techniques.	Adequate application with minor gaps.	Limited application with significant gaps.	No meaningful application.