



**ANDHRA PRADESH STATE COUNCIL OF HIGHER EDUCATION**

**MINOR**

**Subject: FINANCIAL MANAGEMENT**

**w.e.f. AY 2023-24**

**COURSE STRUCTURE**

<b>Semester</b>	<b>Course Number</b>	<b>Course Name</b>	<b>No. of Hrs/Week</b>	<b>No. of Credits</b>
<b>II</b>	1	Fundamentals of Financial Management	4	4
<b>III</b>	2	Money, Banking and Financial Markets	4	4
<b>IV</b>	3	Derivatives & Risk Management	4	4
<b>IV</b>	4	Portfolio Management	4	4
<b>V</b>	5	Stock Market Operations	4	4
<b>V</b>	6	Project Management	4	4

## **SEMESTER-II**

### **COURSE 1: FUNDAMENTALS OF FINANCIAL MANAGEMENT**

Theory

Credits: 4

4 hrs/week

#### **Course Objectives:**

1. To enable the students to understand the various functions of financial management.
2. To acquire knowledge on financing decisions.
3. To gain knowledge on Long term Investment decisions.
4. To impart knowledge on Short term Investment decisions.
5. To acquire knowledge on Dividend decisions.

#### **UNIT – I: FINANCIAL MANAGEMENT**

Meaning, Nature, Scope of financial management. Financial management goals: Profit maximization, Wealth maximization. Finance functions- Investment, financing and Dividend Decisions.

#### **UNIT – II : COST OF CAPITAL**

Meaning and significance of cost of capital, Calculation of cost of debt, Preference Capital, Equity Capital and retained earnings. Capital structure, Theories of Capital structure: Traditional and MM Hypothesis, Determining capital structure in practice, Capital structure planning, Operating and Financial leverages.

#### **UNIT – III : CAPITAL BUDGETING**

Nature of investment decisions; investment evaluation criteria - Accounting Rate of Return, Payback Period, Net Present value, Internal Rate of Return and Profitability Index.

#### **UNIT – IV : WORKING CAPITAL**

Meaning, significance and types of working capital; Determinants of Working Capital, Sources of working capital; Management of Inventories, Management of Cash; management of Accounts Receivables.

#### **UNIT – V : DIVIDEND DECISIONS**

Types of dividend, Dividend Models, Determinants of dividend policies, Practical aspects of dividend.

**Recommended Books:**

1. Khan & Jain, Financial management ,TMH Publishers.
2. I M Pandey financial management, Vikas publications
3. Prasanna Chandra financial management, TMH publishers
4. R K Sharma & Seshi Guptha financial management, Kalyani publishers
6. Rohit Srivastav financial management, Oxford publishers

## **SEMESTER-III**

### **COURSE 2: MONEY, BANKING AND FINANCIAL MARKETS**

Theory

Credits: 4

4 hrs/week

#### **Course Objective:**

1. To analyse the impact of money on some of the economy's key variables such as interest rates, inflation, and the banking industry.
2. To exposes students to the theory and functioning of the monetary and financial sectors of the economy.
3. To study the organization, structure and role of financial markets and institutions.
4. To examine interest rates, monetary management and instruments of monetary control.
5. To study the Financial and banking sector reforms and monetary policy with special reference to India.

#### **UNIT I : MONEY**

Meaning, functions and classification, Role of money in capitalist, socialist and mixed economies, theories of money supply determination. RBI approach to money supply; High powered money and money multiplier. Monetary standards – Metallic and paper standards, system of note issues in India. RBI approach to money supply; High powered money and money multiplier.

#### **UNIT II : BANKING**

Types of Banks. Functions of Commercial banks. Process of credit creation, Purpose and limitations. Liabilities and assets of banks. Commercial banking in India, Nationalization of commercial banks in India. Recent reforms in banking sector in India.

#### **UNIT III: CENTRAL BANKING**

Functions of Central Bank. Quantitative and qualitative methods of credit control- Bank rate policy, Open market operations, Cash reserve ratio and selective methods. Role and functions of the Reserve Bank of India.

#### **UNIT IV : FINANCIAL INSTITUTIONS, MARKETS, INSTRUMENTS AND FINANCIAL INNOVATIONS**

Role of financial markets and institutions, Structure of money market and capital market — Call money market. Treasury bill market, Commercial bill market including commercial

paper and certificate of deposits, Government securities market, Primary and secondary market for securities. Financial sector Reforms in India, Role of Financial Derivatives  
Financial Institutions: Types; Banking and Non-Banking Financial Institutions.

#### **UNIT V: INTEREST RATES**

Interest Rates Determination; sources of interest rate differentials; theories of term structure

#### **Recommended Books:**

1. F. S. Mishkin and S. G. Eakins, Financial Markets and Institutions, Pearson Education
2. F. J. Fabozzi, F. Modigliani, F. J. Jones, M. G. Ferri, Foundations of Financial Markets and Institutions, Pearson Education.
3. Rakesh Mohan, Growth with Financial Stability- Central Banking in an Emerging Market, Oxford University Press, 2011. 32
4. L. M. Bhole and J. Mahukud, Financial Institutions and Markets, Tata McGraw Hill.
5. M. Y. Khan, Indian Financial System, Tata McGraw Hill.

## SEMESTER-IV

### COURSE 3: DERIVATIVES & RISK MANAGEMENT

Theory

Credits: 4

4 hrs/week

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#### Course Objectives:

1. To understand derivatives market
2. To understand derivatives trading in India and regulatory framework.
3. To train the student with required skills for pricing of futures.
4. To train the student with required skills for pricing of options
5. To enable the student to explore hedging strategies to mitigate risk in business operations.

#### UNIT I : INTRODUCTION TO DERIVATIVES

Definition, types of derivatives, Uses of derivatives, Exchange-traded vs. OTC derivatives, Derivatives in India, Regulation for derivatives trading and SEBI guidelines related to derivatives trade.

#### UNIT II : INTRODUCTION TO OPTIONS

Basic Hedging practices, Forward contracts, Limitations of forward markets, Introduction to futures, Stock Index futures, Commodity Futures and Currency Futures, Distinction between futures and forwards contracts, pay-offs, Cash settlement vs Physical settlement, Pricing Principles, Beta and Optimal Hedge Ratio.

#### UNIT III : INTRODUCTION TO OPTIONS

Option terminology and Types, Index derivatives, European and American calls and puts, Exotic and Asian Options, Strategies and Pay-offs, Option Pricing and Put-Call parity.

#### UNIT IV : SWAPS

Meaning, overview, interest rate swaps, currency swaps, credit risk, mechanics of swaps.

#### UNIT V : RISK MANAGEMENT WITH DERIVATIVES

Hedging Using Greeks (Delta-Gamma Hedging), Hedging with Futures (Strategies of hedging, speculation and arbitrage): Index Options and futures, VaR, Historical Simulations, Risk management structure and policies in India.

**Recommended Books:**

1. Hull C.John, “Options, Futures and Other Derivatives”, Pearson Educations Publishers.
2. N.D.Vohra & B.R.Baghi, Futures and Options, Tata McGraw-Hill Publishing Company Ltd.
3. D.C.Parwari, Financial Futures and Options, Jaico Publishing House.
4. T.V.Somanathan, Derivatives, Tata McGraw-Hill Publishing Company Ltd.
5. S.L.Gupta, Financial Derivatives, Prentice Hall of India.

## SEMESTER-IV

### COURSE 4: PORTFOLIO MANAGEMENT

Theory

Credits: 4

4 hrs/week

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#### Course Objectives:

1. To familiarize students with recent changes and elements of portfolio management
2. To understand the various tools used in the evaluation process of investment avenues.
3. To understand the financial environment.

#### UNIT I : PORTFOLIO MANAGEMENT

Concept of Investment- Investment Vs Speculation. Security Investment Vs. Non-security forms of Investment - Investment Environment in India. Investment Process – Sources of Investment Information.

Meaning of Portfolio management- nature and Scope of Portfolio management- Portfolio Management Process- calculation of return on portfolio and risk on portfolio.

#### UNIT II : RISK AND RETURNS

Meaning- Types of risk-Calculation of risk-Standard Deviation and variance-Beta estimation Alpha and Beta Coefficient-Covariance- Investor's attitude towards risk and return. Meaning- Types of return- calculation of return on a single security- Arithmetic mean and Geometric mean-historical return and return relative- Probability distribution- Expected return.

#### UNIT III: BASICS OF PORTFOLIO MANAGEMENT IN INDIA

SEBI guidelines for investor protection- Portfolio Manager- who can be a Portfolio Manager SEBI guidelines for Portfolio Manager- Portfolio Management service and method of operation- Function of a Portfolio Manager- Career in Portfolio Management.

#### UNIT IV: PORTFOLIO MODELS

Elements of Portfolio Management - Portfolio Models - Markowitz Model, Efficient Frontier and Selection of Optimal Portfolio. Sharpe Single Index Model and Capital Asset Pricing Model, Arbitrage Pricing Theory.



## **UNIT V:**

Portfolio theory: Markowitz Theory - Portfolio Management - Sharpe's Model- Jensen and Treynor Model. (Simple problems)

### **Recommended Books:**

1. Priti Singh- Portfolio Management-Himalaya Publications.
2. V.K Avadhani-Security Analysis and Portfolio Management-HPH
3. Fischer and Jordan- Security Analysis and Portfolio Management-Prentice Hall
4. Prasanna Chandra- Security Analysis Investment management .
5. Sudhindra Bhatt, Security Analysis and Portfolio management, Excel Books.

## SEMESTER-V

### COURSE 5: STOCK MARKET OPERATIONS

Theory

Credits: 4

4 hrs/week

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#### Course objectives:

- To make the student understand the Capital Markets' scenario
  - To make the student understand the nature and significance of stock markets
- To understand the process of listing of stocks.
- To provide an overview of the Stock Market Indices.
- To impart basics of the commodity and currency markets.

#### UNIT I : CAPITAL MARKETS IN INDIA

An overview of Indian Securities Market, Meaning, Functions, Intermediaries, Role of Primary Market – Methods of floatation of capital – Problems of New Issues Market – IPO's – Investor protection in primary market – Recent trends in primary market – SEBI measures for primary market.

#### UNIT II : STOCK EXCHANGES

Meaning, Nature and Functions of Secondary Market – Organization and Regulatory framework for stock exchanges in India – SEBI: functions and measures for secondary market – Overview of major stock exchanges in India.

#### UNIT III : LISTING OF SECURITIES

Meaning – Merits and Demerits – Listing requirements, procedure, fee – Listing of rights issue, bonus issue, further issue – Listing conditions of BSE and NSE – Delisting.

#### UNIT IV : STOCK MARKET INDICES

**Stock Market Indices:** Meaning, Purpose, and Construction in developing index – Methods (Weighted Aggregate Value method, Weighted Average of Price Relatives method, Free-Float method) – Stock market indices in India – BSE Sensex - Scrip selection criteria – BSE indices (briefly) – NSE indices – S&P CNX Nifty.

## **UNIT V : COMMODITY AND CURRENCY MARKETS**

Commodity exchanges : evolution and history – governing regulations – price –risk management – commodity exposure – hedge accounting – currency futures – managing exchange rate – carbon markets – weather derivatives – ETFs – Purpose, Importance, types , construction.

### **Recommended Books:**

1. Punithavathy Pandian, Security Analysis and Portfolio Management, Vikas Publishing House
2. Dr. V.A. Avadhani, Security Analysis and Portfolio Management, Himalaya Publishing House, Mumbai.

**SEMESTER-V**  
**COURSE 6: PROJECT MANAGEMENT**

Theory Credits: 4 4 hrs/week

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**Course Objectives:**

1. To enable the student to conduct preliminary screening of project.
2. To gain knowledge on conducting the studies of market, technical and operational feasibility of the Project.
3. To analyse the financial viability of the project.
4. To provide insight into implementation and abandonment of project.

**UNIT I**

**Project Management;** Meaning, Characteristics and importance project management; Classification of Projects, Project Life Cycle and its Phases- identification, formulation and implementation.

**UNIT II**

**Appraisal of Projects** – Market feasibility, technical feasibility, financial feasibility - – feasibility report. . Financial Appraisal of a Project – Project Evaluation Techniques – traditional and modern (theory only).

**UNIT III**

**Project Financing;** Project Financing Capital structure, sources of finance Margin money, promoter's contribution, consortium lending and local syndication by banks, financing through markets and public issues, Term loans and debentures.

**UNIT IV**

**Project Implementation and Control:** Organizing human resources, systems and procedure for project implementation. Working of systems, Design of systems, project work system design, work breakdown structure, project execution plan, project control system, project diary, project control –scope/progress control, performance control, schedule control and cost control.

**UNIT V**

**Social Cost benefit Analysis:** The rationale for Social cost benefit analysis, UNIDO approaches for Social Cost benefit analysis, Methods followed by Financial Institutions. Project Scheduling: PERT and CPM networks.

**Recommended Books:**

1. Gido: Effective Project Management, Thomson.
2. Prasanna Chandra, Projects, Planning, Analysis, Selection, Financing, Implementation and Review, Tata McGraw Hill Company Pvt. Ltd.
3. Damodaran, Corporate Finance, John Wiley Publications.
4. Erhardt & Brigham, Principles of Corporate Finance, Thomson.
5. Singh M.K, Project Evaluation and Management.