

HAILEY COLLEGE OF COMMERCE

UNIVERSITY OF THE PUNJAB, LAHORE

Course Title: **Financial Management**

Proposed Course Code: BSC-303

Credit Hours: 03

Program: BS Commerce

Semester: 5th**1.0 Introduction of the Course**

This is an introductory course and first in the series of finance courses. After studying this course, the students would be able to develop a basic understanding of financial decision making by a financial manager in a business organization. This course will also provide the students to learn about financial markets mechanism, cash flows of business firms, financial planning and budgeting. The students would also be get benefited to know about the various techniques of financial statements analysis and its application for business decision making. To learn about the application of time value of money concept and its practical problems is also important for a finance learner. The students would also know about working capital management. Current assets and current liabilities management and its impact on liquidity and profitability.

2.0 Pre-Requisites Course (s) or Other Requirements/Skills:

- ❖ Financial Accounting, Money and Banking, Business Mathematics

3.0 The Course carries following objectives:

1. To learn about financial markets mechanism, cash flows of business firms.
2. To Know and learn about financial planning and budgeting process.
3. To learn about the application of time value of money concept and its practical problems.
4. To know about working capital management, Current assets and current liabilities management and its impact on liquidity and profitability.

4.0 Course Learning Outcomes

1. This course will provide the students to learn about financial markets mechanism, cash flows of business firms, financial planning and budgeting.
2. The students would be able to learn about the application of time value of money concept and its practical problems.
3. The students would also know about working capital management, Current assets and current liabilities management and its impact on liquidity and profitability

5.0 Course Contents:**Unit-I****1.1 Introduction to Financial Management**

- 1.1.1 Introduction to financial management, significance of financial management, relationship with other fields, career opportunities in financial management. Financial management and goal of a business firm, agency problem, corporate governance, corporate social responsibility, ethics and firm's goal, role of financial manager in a business firm.

- 1.1.2 Financial environment and financial markets, financial intermediaries, financial brokers, allocation of funds in the economy and interest rate fundamentals.

Unit-II

2.1 Financial Statements Analysis

- 2.1.1 Financial reporting, users of financial statement analysis, ratio analysis, common size analysis (vertical analysis), comparative analysis, trend analysis and index analysis (horizontal analysis). Types of comparisons.
- 2.1.2 Liquidity Ratios, understandings and decision making by using current ratio, acid test ratio, cash ratio etc.
- 2.1.3 Debt Ratios/Solvency/Gearing Ratios, its understanding and decision making by using debt ratio, debt/equity ratio, interest coverage ratio etc.
- 2.1.4 Activity/turnover/efficiency Ratios and its application in decision making.
- 2.1.5 Profitability Ratios and decision making by using these ratios.
- 2.1.6 Market Ratios and their uses in decision making.
- 2.1.7 Limitations of ratio analysis.

Unit-III

3.1 Financial planning, forecasting and budgeting

- 3.1.1 Concept, need and importance of preparation of cash budget and budgeted financial statements, master budget, zero base and incremental budgeting concepts, estimating sales and concept for preparation of cash budget.
- 3.1.2 Pro-forma income statement and statement of financial position, methods for preparation and practical use of these financial statements.
- 3.1.3 Sensitivity and scenario analysis in cash budget and pro-forma financial statement.

Unit-IV

4.1 Time Value of Money

- 4.1.1 Introduction, simple interest and compound interest concepts, time line, compounding and discounting.
- 4.1.2 Calculation of future value and present value of single amount, annuity and mixed stream. Calculation of present value of perpetuity.
- 4.1.3 Amortizing loan, deposits to accumulate some future sum, finding missing rate of return and time periods.
- 4.1.4 Nominal and effective interest rates concepts.
- 4.1.5 Practical problems relating to the above-mentioned concepts, calculating future and present value by using spread sheet.

Unit-V Working Capital Management

- 5.1.1 Working capital overview and its practical importance, gross and net working capital, positive and negative working capital concept, its relationship with liquidity and profitability.
- 5.1.2 Cash and marketable securities management, accounts receivable management managing credit policy, collection policy, credit selection and credit standards, cost benefit analysis and decision making.
- 5.1.3 Inventory management, techniques for managing inventory in a business firm, ABC, EOQ, evaluating bulk purchase and EOQ purchase, just in time methods for managing inventory.
- 5.1.4 Accounts payable management in a business firm. Evaluating discount offering by the suppliers of merchandise and cost of giving discount, managing other payables and accruals.

6.0 Teaching-Learning Strategies

- Lectures
- Handouts
- Group Discussions
- Classroom Presentations
- Projects and Term Paper
- Quizzes
- Case Study, Reading Assignment

7.0 Assignments

7.1.1 Financial Statement analysis of various companies' annual reports which are listed on Pakistan Stock Exchange.

7.1.2 Two quizzes will be taken from midterm course contents and 2 quizzes will be taken from final term course contents.

8.0 Assessment and Examinations:

Mid-Term	Written Paper
Final Examination	Written Paper
Sessional	Quizzes and Tests, Assignment and Presentations, Attendance, Class Participations and Discipline etc.

9.0 Textbooks

1. Gitman L.J., Principals of managerial finance, 14th/Latest edition, Pearson Education.
2. Van Horne J.C., Fundamentals of financial management, Latest edition, Pearson Education.

10. Suggested Readings**10.1 Books**

- Campsey B.J., Brigham Eugene F., Introduction to financial management, Latest edition.
- Keown Arthur J, Scott David F., Martin John D, Basic financial management, Latest edition.
- Maxwell, Macmillan, Fundamentals of financial management, Latest Edition.
- Brigham Eugene F., Ehrhardt Michael C. Financial Management theory and practice. Latest Edition.

10.2 Journal Articles/ Reports

- The Economist
- Chartered Financial Analyst Journal
- The Financial Times
- Business Recorder
- The Financial Daily
