



**Institute of  
Management Technology**  
Centre for Distance Learning, Ghaziabad

**FINC002  
Financial  
Management**

## INDEX

<b>UNIT 1</b>	
<b>An Overview of Financial Management</b>	<b>1</b>
<b>UNIT 2</b>	
<b>Time Value of Money</b>	<b>20</b>
<b>UNIT 3</b>	
<b>Risk and Return</b>	<b>47</b>
<b>UNIT 4</b>	
<b>Valuation of Securities</b>	<b>65</b>
<b>UNIT 5</b>	
<b>Basics of Capital Budgeting</b>	<b>83</b>
<b>UNIT 6</b>	
<b>Cash Flows in Capital Budgeting</b>	<b>108</b>
<b>UNIT 7</b>	
<b>Cost of Capital</b>	<b>128</b>
<b>UNIT 8</b>	
<b>Capital Structure</b>	<b>154</b>
<b>UNIT 9</b>	
<b>Leverage</b>	<b>180</b>
<b>UNIT 10</b>	
<b>Dividend Policy and Shareholders Value Creation</b>	<b>207</b>
<b>UNIT 11</b>	
<b>Working Capital Management</b>	<b>231</b>
<b>UNIT 12</b>	
<b>Inventory Management &amp; Financing of Working Capital</b>	<b>254</b>

# **AN OVERVIEW OF FINANCIAL MANAGEMENT**

## **STRUCTURE**

- 1.0 Objectives
- 1.1 Introduction
- 1.2 Legal forms of the Business organizations
- 1.3 Finance and Other Disciplines
- 1.4 Objective of Financial Management
- 1.5 Financial Management Decisions
- 1.6 Role of a Finance Manager
- 1.7 Agency Theory
- 1.8 Let Us Sum Up
- 1.9 Key Words
- 1.10 References And Suggested Additional Readings
- 1.11 Self-Assessment Questions
- 1.12 Check Your Progress-Possible Answers
- 1.13 Answers to Self-Assessment Questions

## **1.0 OBJECTIVES**

On completion of this unit, you should be able to:

- Understand the meaning of Financial Management
- Understand legal forms of business
- Understand relationship between Finance & other disciplines
- Understand the scope and purpose of Financial Management
- Classify major decisions taken by the Finance Manager
- Explain the agency problem

## **1.1 INTRODUCTION**

Organizations do the majority of the world's work. Resources are brought together—equipment, building, inventory, people, information technology, and many more, to run



17.02.2022

**Dr. Meena Bhatia**

Subject: Acknowledgement and Gratitude for your Academic Contribution

Dear Dr. Meena Bhatia,

It gives us immense pleasure to inform you that the final printed version of Self Learning Material (SLM) of Financial Management course is ready with us now. We are sending a copy of the same with this letter for your reference and record.

We acknowledge your contribution as a Course Writer and an esteemed member of our SLM Preparation Team. We certify your academic contribution for authoring the units for our SLM, as per the details given below:

Course Name	Course Code	ISBN Number	Unit Number	Unit Title
Financial Management	FINC002	978-81-951960-5-0	1	Financial Management: Basics
Financial Management	FINC002	978-81-951960-5-0	3	Risk and Return
Financial Management	FINC002	978-81-951960-5-0	4	Valuation of Securities

Your contributed units in our SLM would be referred by thousands of our students of PGDM and PGDM- Executive Programmes.

We express our sincere gratitude and wish for your continued support in our future academic endeavors.

Regards,

Prof. Bharti Singh  
IMT CDL