



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

**FINC002
Financial
Management**

INDEX

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

VALUATION OF SECURITIES

STRUCTURE

- 4.0 Objectives
- 4.1 Introduction
- 4.2 Fundamentals of Valuation
- 4.3 Valuation of Bonds/Debentures
- 4.4 Valuation of Preference Shares
- 4.5 Equity Valuation
- 4.6 Other approaches to equity valuation
- 4.7 Let Us Sum Up
- 4.8 Key Words
- 4.9 References And Suggested Additional Readings
- 4.10 Self-Assessment Questions
- 4.11 Check Your Progress-Possible Answers
- 4.12 Answers to Self-Assessment Questions

4.0 OBJECTIVES

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

- Understand the concept of Valuation
- Understand and apply the basic valuation model to Bonds
- Understand and apply the basic valuation model to preference shares
- Understand the share valuation under zero growth, constant growth and variable growth models

4.1 INTRODUCTION

Many people around us wake up every day looking into their mobiles regarding the movement in stock indices worldwide. They derive a lot of pleasure and excitement out of the stock markets. And when the signals are not in their favour, they get upset and unhappy. The financial markets affect our portfolios and the Valuation of the financial assets, which



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