# GUJARAT UNIVERSITY SYLLABUS FOR T.Y. BBA SEMESTER-V

**SUBJECT ELECTIVE COURSE (SEC)- 307 ADVANCED FINANCIAL MANAGEMENT** – **1**

## Introduction

Over the last two decades, Indian business and finance have considerably changed owing to deregulation, liberalization, privatization and globalization. In wake of these changes and developments, the subject of Advanced Financial Management has assumed all the more importance.

## Objectives

* + The syllabus aims to develop a thorough understanding of the concepts and theories in Financial Management.
  + It intends to give an understanding of various financial decisions which has impact on shareholders and wealth creation.
  + To develop familiarity with the analytical techniques helpful in financial decision making.

## Number of credits : 3 Lectures per week : 3 Total Sessions 40

|  |  |
| --- | --- |
| Unit | Weightage |
| Unit I | 25% |
| Unit II | 25% |
| Unit III | 25% |
| Unit IV | 25% |
| TOTAL | 100% |

**Unit 1: Cost of Capital**

* Meaning and importance of Cost of Capital
* Explicit and Implicit Costs
* Measurement of Specific Costs
* Weighted Average and Marginal Cost of Capital (including sums using market and book value weights)
* Capital Asset Pricing Model (excluding sums)

**Unit 2: Valuation of Securities**

* Valuation of bonds/debentures
* Yield to Maturity (YTM) Short-cut Method (as per Khan and Jain)
* Valuation of Preference Shares
* Valuation of Equity Shares: no growth, constant growth and multi-stage growth models

**Unit 3: Risk Management and Derivatives**

* Concept of Risk and Uncertainty
* Meaning and Characteristics of Derivatives
* Meaning of:
  1. Spot
  2. Forward Contracts
  3. Future Contracts
  4. Options: Call and Put
* Difference between Forwards and Futures
* Difference between Futures and Options
* Risk Evaluation Approaches in Capital Budgeting

1. Risk Adjusted Discount Rate
2. Certainty Equivalent Approach
3. Decision Tree

**Unit 4: Dividend Theory**

* Meaning of Dividend
* Types of Dividend Policy
* Determinants of Dividend Policy
* Dividend Theories:

1. Walter Model
2. Gordon Model
3. Modigliani-Miller (MM) Model

## Topics for Assignment

1. Practical Application of Cost of Capital
2. Concepts of Value
3. Important terms in Options Contract
4. Financial Engineering

## Topics for Seminar and Presentation

1. Shareholder Value Creation
2. A Study on trends in dividend policy in Indian Companies
3. Foreign Exchange markets and Dealings
4. Foreign Exchange Risk Management.

**Recommended Textbooks:**

1. Financial Management by Khan & Jain (5th Edition), McGraw Hill – For Units 1, 2 & 3
2. Strategic Financial Management by Ravi M Kishore (2nd Edition), Taxmann – For Units 3 & 4

**Reference Books:**

1. Financial Management by Prasanna Chandra (7th Edition), Tata McGraw Hill
2. Financial Management by I M Pandey (9th Edition), Vikas Publishing