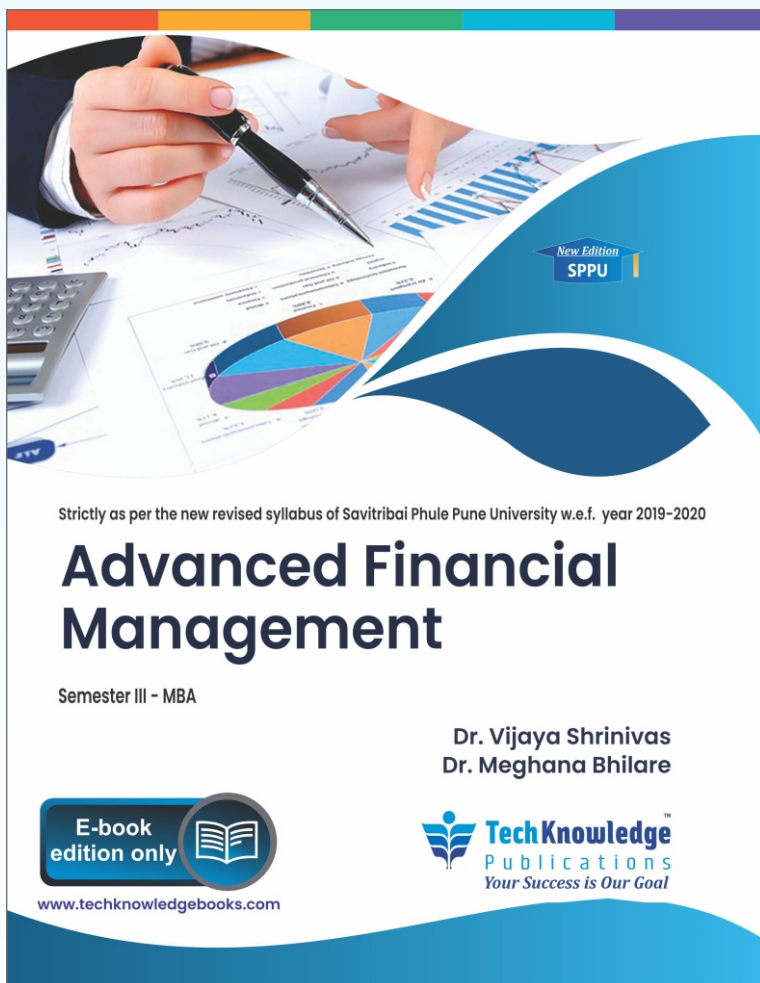


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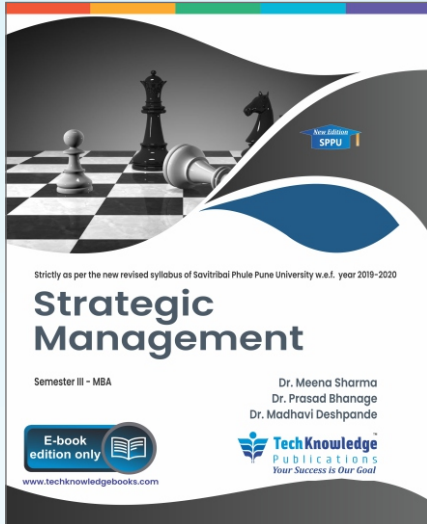


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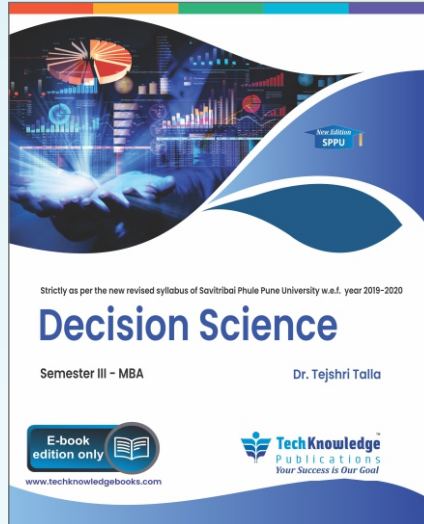
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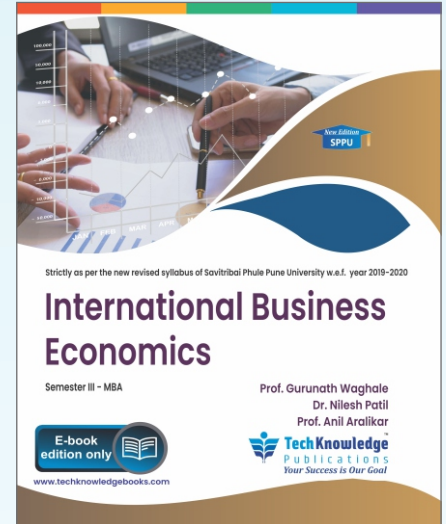
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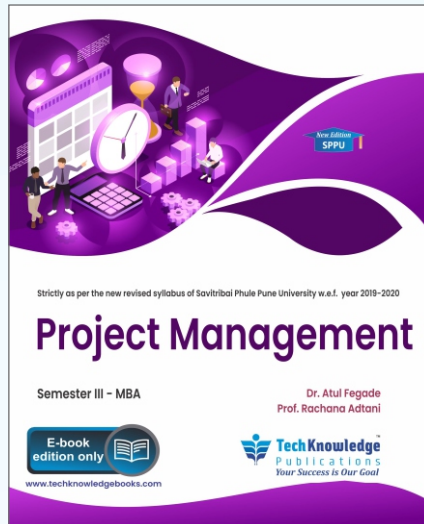
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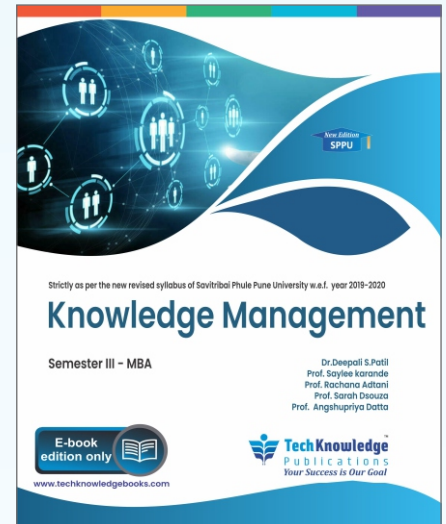
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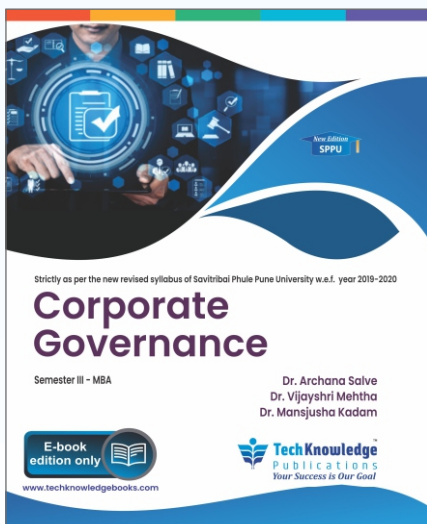
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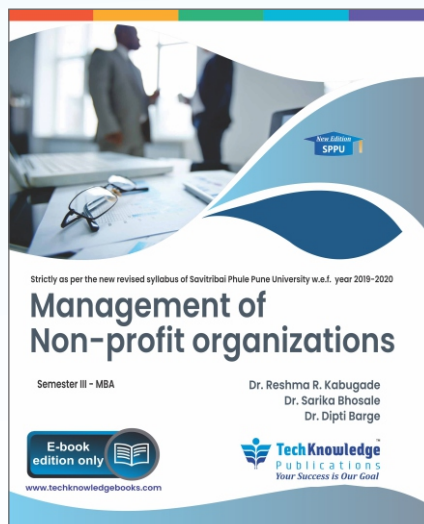
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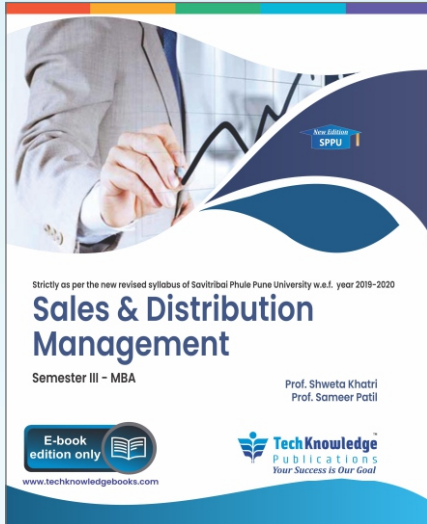
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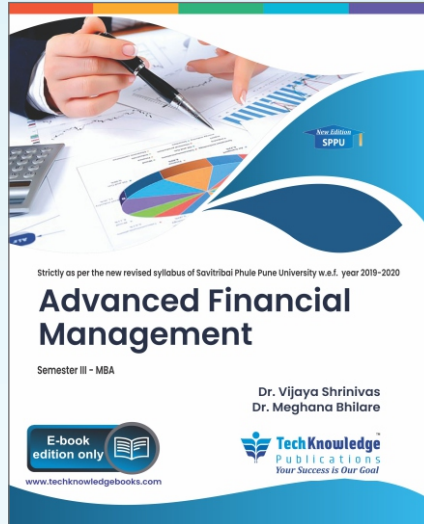
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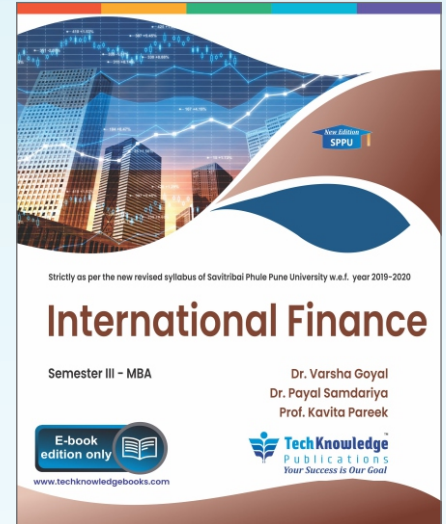
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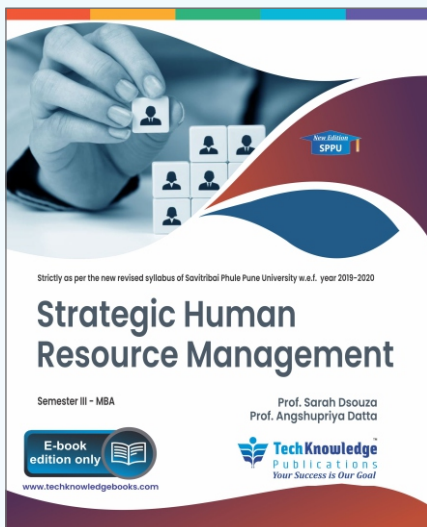
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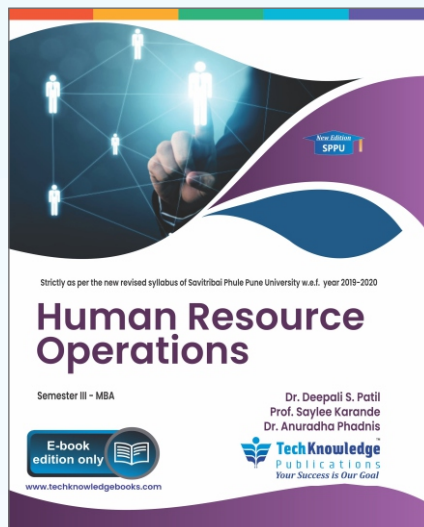
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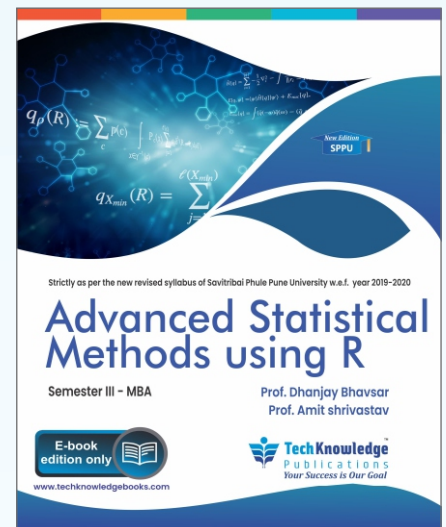
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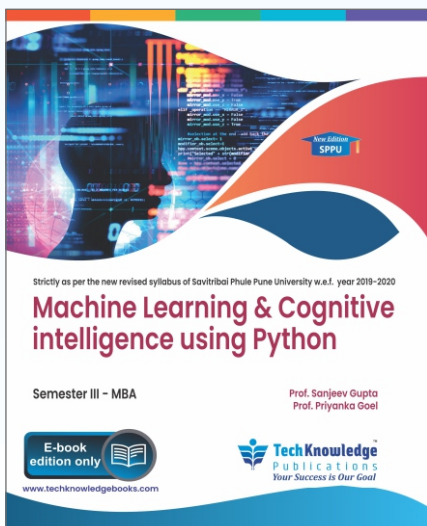
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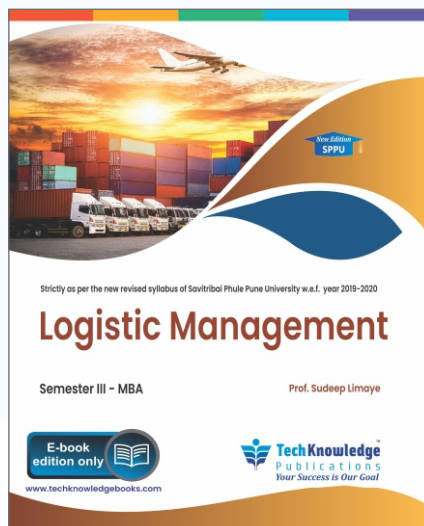
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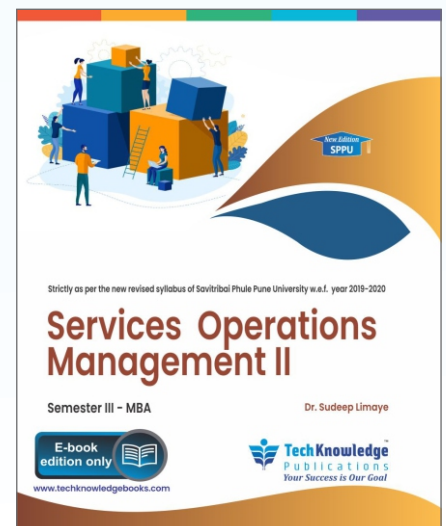
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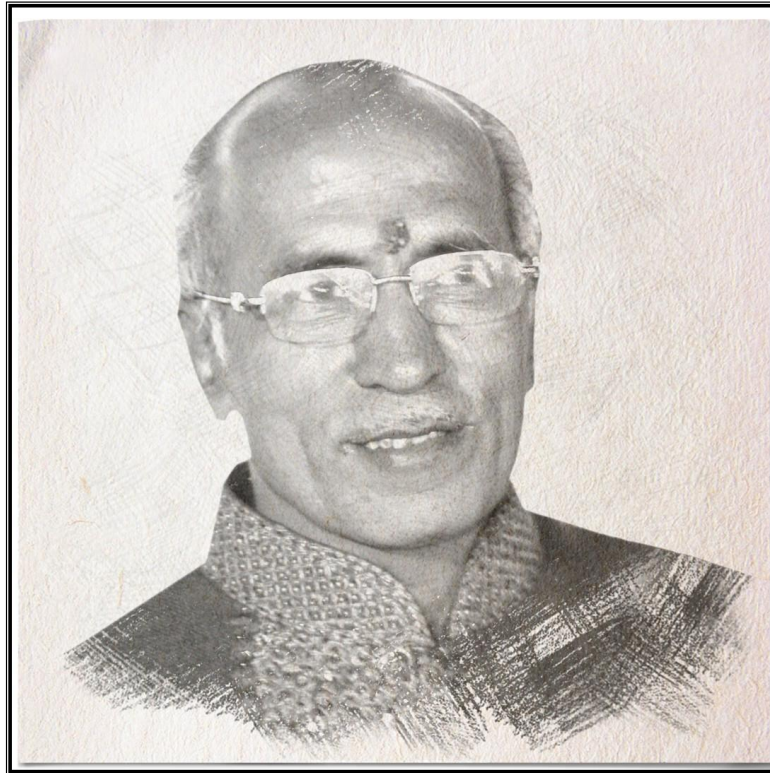
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*We dedicate this Publication soulfully and wholeheartedly,
in loving memory of our beloved founder director,
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who will always be an inspiration, a positive force and strong support
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“My work is my prayer to God”

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Preface

Dear Students,

We are extremely happy to present the book of “**Advanced Financial Management**” for you. We have divided the subject into small chapters so that the topics can be arranged and understood properly. The topics within the chapters have been arranged in a proper sequence to ensure smooth flow of the subject.

We present this book in the loving memory of **Late. Shri. Pradeepji Lunawat**, our source of inspiration and a strong foundation of “**TechKnowledge Publications**”. He will always be remembered in our hearts and motivate us to achieve our new milestone.

We are thankful to Seema P. Lunawat, Vaishali Nisargand and Dr. Deepali Patil for the encouragement and support that they have extended. We are also thankful to the staff members of TechKnowledge Publications and others for their efforts to make this book as good as it is. We have made every possible efforts to eliminate all the errors in this book. However if you find any, please let us know, because that will help us to improve the book quality further.

We are thankful to my family members and friends for their patience and encouragement.

- **Authors**

□□□

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She has written one book on Financial Management for Management courses and published / contributed more than 20 research papers in recognised National and International Journals. She has attended and organised various Conferences at Management Institutes. She has been invited as Key note speaker , Subject expert at National and International Conferences. She has also served in various editorial roles. She has been a member of Academic Council of Pondicherry University. She is also a Board of Studies Member for an Autonomous College of Mumbai University.

She is a recognised Ph D Guide of Savitribai Phule Pune University. She has guided 08 for their Doctoral Degreee out of which 06 have been awarded. She is also a member of Syllabus review committee at Savitribai Phule Pune University and actively involved in various Academic activities.



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She is also member of Board of Studies (Commerce and Management) at Savitribai Phule Pune University. She has presented and published number of research papers in State, National and International conferences and journal. She is a Ph.D. guide in Finance of Savitribai Phule Pune University.

□□□

Syllabus

Semester III		304FIN – Advanced Financial Management
3 Credits	LTP: 2:1:1	Subject Core- SC – FIN - 03

Course Outcomes: On successful completion of the course the learner will be able to

CO#	COGNITIVE ABILITIES	COURSE OUTCOMES
CO 304.1	Remembering	DESCRIBE the basic concepts in financing, investing and profit distribution in a firm.
CO 304.2	Understanding	EXPLAIN theoretical concepts related to raising and use of funds and value of firm
CO 304.3	Applying	CALCULATE values for making capital structure, investment, liquidity and dividend decisions in the financial management of a firm
CO 304.4	Analysing	ANALYZE the options for making the right financial decisions of a firm
CO 304.5	Evaluating	ASSESS the role of financial planning, risk analysis in investments, liquidity and credit management policy of the firm on shareholder value
CO 304.6	Creating	DESIGN an appropriate financial strategy using any one or multiple concepts/ techniques learned in this course.

1. **Financial Planning and Shareholder Value** : Overview of Financial Planning; Long term and short term sources of finance; Financial Statements including Funds Flow and Cash Flow Statements; Importance of Cash Flows; Concept of Financial Distress; Shareholder wealth and managerial behavior; Growth and Value; Concept and features of value-based management; Economic Value Added (EVA): Meaning, Components, Advantages & Drawbacks, Calculating EVA (6+2)
2. **Capital Structure and Firm Value** : Assumptions and Definitions; Net Income Approach; Net Operating Income Approach; Traditional Position; Modigliani and Miller Position Taxation and Capital Structure; Tradeoff; Signaling Theory; PBIT - EPS Analysis; ROI - ROE Analysis ; Leverage Ratios; Guidelines for Capital Structure Planning (7+2)
3. **Investment Decisions** : Meaning and Process, Risk and Uncertainty in Capital Budgeting: Capital rationing and Project Selection. Inflation and Capital budgeting; Capital budgeting practices in Indian companies (5+2)
4. **Working Capital Management** : Determination of level of current assets, Working capital financing by banks; Cash and liquidity Management- aspects of cash management, motives for holding cash and marketable securities, Cash Management Models, Strategies for managing surplus funds; Credit Management: Objectives of trade credit, credit policies. Control and collection of accounts receivables, role of factoring in receivables management (No problems on estimation of working capital). (9+2)
5. **Dividend Policy and Firm Value** : Why Firms Pay Dividends ; Factors Influencing Dividend Policy ; Legal and Procedural Aspects ; Bonus Shares and Stock Splits; Share Buybacks and Valuation ; Dividend Policies in Practice; Dividend Models: Walter’s model, Gordon’s model, Modigliani and Miller’s Hypothesis; Models in Which Investment and Dividend Decisions are Related (8+2)

□□□



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Unit 1

Financial Planning and Shareholder Value



Syllabus

Overview of Financial Planning; Long term and short term sources of finance; Financial Statements including Funds Flow and Cash Flow Statements; Importance of Cash Flows; Concept of Financial Distress; Shareholder wealth and managerial behavior; Growth and Value; Concept and features of value-based management; Economic Value Added (EVA): Meaning, Components, Advantages & Drawbacks, Calculating EVA

Unit 2

Capital Structure and Firm Value

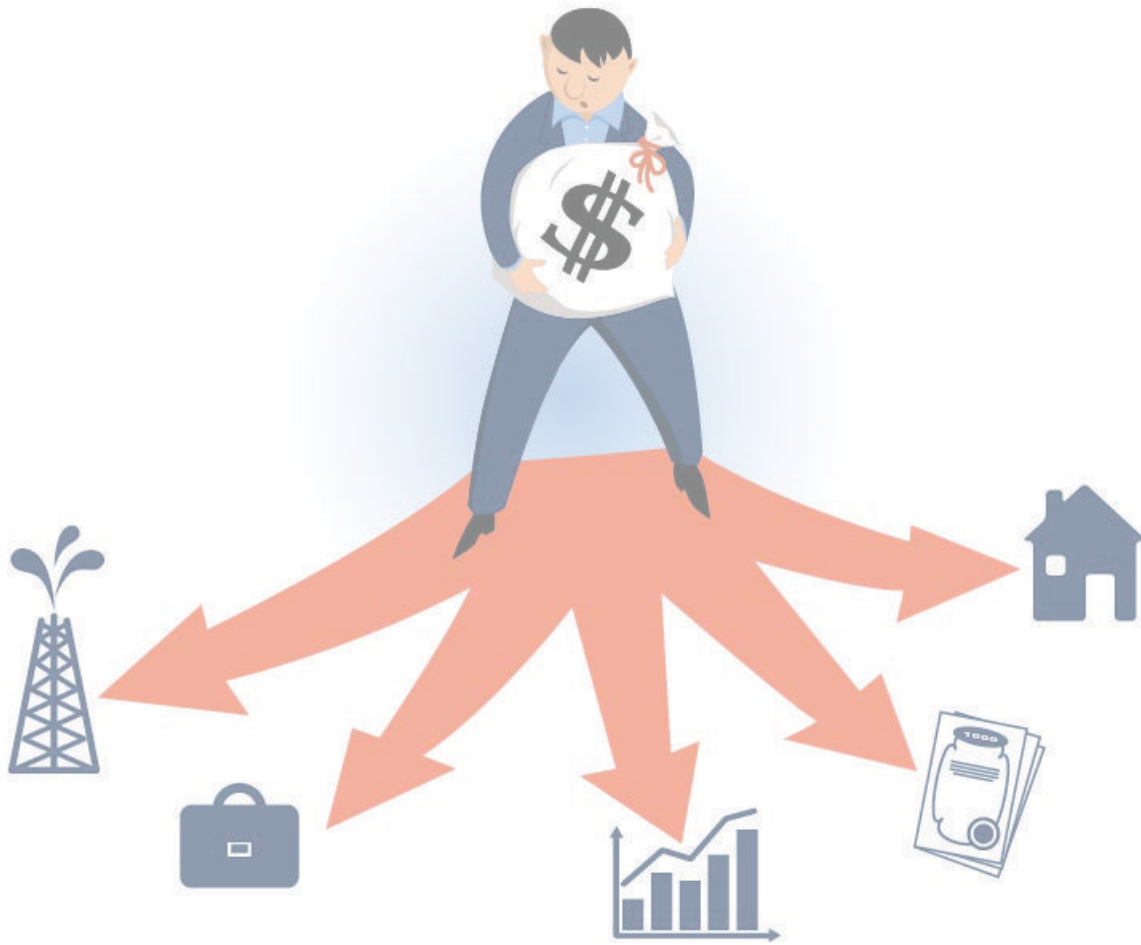
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Syllabus

Assumptions and Definitions; Net Income Approach; Net Operating Income Approach; Traditional Position; Modigliani and Miller Position Taxation and Capital Structure; Tradeoff; Signaling Theory; PBIT - EPS Analysis; ROI - ROE Analysis ; Leverage Ratios; Guidelines for Capital Structure Planning

Unit 3

Investment Decisions



Syllabus

Meaning and Process, Risk and Uncertainty in Capital Budgeting: Capital rationing and Project Selection. Inflation and Capital budgeting; Capital budgeting practices in Indian companies

Unit 4

Working Capital Management



Syllabus

Determination of level of current assets, Working capital financing by banks; Cash and liquidity Management- aspects of cash management, motives for holding cash and marketable securities, Cash Management Models, Strategies for managing surplus funds; Credit Management: Objectives of trade credit, credit policies. Control and collection of accounts receivables, role of factoring in receivables management

Unit 5

Dividend Policy and Firm Value



Syllabus

Why Firms Pay Dividends ; Factors Influencing Dividend Policy ; Legal and Procedural Aspects ; Bonus Shares and Stock Splits; Share Buybacks and Valuation ; Dividend Policies in Practice; Dividend Models: Walter's model, Gordon's model, Modigliani and Miller's Hypothesis; Models in Which Investment and Dividend Decisions are Related