

## PAPER-II ADVANCED FINANCIAL MANAGEMENT

M.M. - 80

**UNIT - I Financial Mangement** : Meaning, nature and scope of finance; Financial goal- Profit vs Wealth maximisation; Finance function - investment, financing and dividend decisions.

**Dividend Policies**: Issues in dividend decisions, Walter's model, Goros's model, M-M hypothesis, dividend and uncertainty, relevance of dividend; Dividend policy in practice; Forms of dividends; Stability policy; Corporate dividend behaviour.

**Capital Budgeting**: Nature of investment decisions; Investment evaluation criteria-net present value, internal rate of return, profitability index, playback period, accounting rate of return; NPV and IRR comparison; Capital rationing; Risk analysis in capital budgeting.

**UNIT - II Cost of Capital** : Meaning and significance of Cost of capital; Calculation of cost of debt, preference capital, equity capital and retained earnings; Combined cost of capital (weighted). Cost of equity and CAPM.

**UNIT - III Operating and Financial Leverage** : Measurement of leverages : Effects of operating and financial leverage on profit; Analysing alternate financial plans; combined financial and operating leverage.

**UNIT - IV Capital Structure Theories** : Traditional and M.M. hypotheses - Without taxes and with Determining capital structure in practice.

**UNIT - V Management of Working Capital** : Meaning, significance and types of working capital; calculating operating cycle period and estimation of working capital requirements; Financing of working capital and norms of bank finance; Sources of working capital; Factoring services; Various committee reports on bank finance; Dimensions of working capital management.

Management of cash, receivables and inventory.