

SYLLABUS

Paper 12: Financial Management & International Finance **(One Paper: 3 hours:100 marks)**

OBJECTIVES

Understand the scope, goals and objectives of Financial Management. To provide expert knowledge on concepts, methods and procedures involved in using Financial Management for managerial decision-making.

Learning Aims

- Understand and apply theories of financial management
- Identify the options available in financial decisions and using appropriate tools for strategic financial management
- Identify and evaluate key success factors in the financial management for organisation as a whole
- Evaluate strategic financial management options in the light of changing environments and the needs of the enterprise
- Determining the optimal financial strategy for various stages of the life-cycle of the enterprise
- Critically assess the proposed strategies

Skill set required

Level C: Requiring all six skill levels - knowledge, comprehension, application, analysis, synthesis, and evaluation

CONTENTS

1. Overview of Financial Management	10%
2. Financial Management Decisions	15%
3. Financial Analysis & Planning	10%
4. Operating and Financial Leverages	5%
5. Financial Strategy	15%
6. Investment Decisions	15%
7. Project Management	10%
8. International Finance	10%
9. Sources of International Finance	5%
10. International Monetary and Financial System	5%

1. Overview of Financial Management

- Finance and Related Disciplines
- Scope of Financial Management,
- Planning environment
- Key decisions of Financial Management
- Emerging role of finance managers in India
- Earnings distributions policy
- Compliance of regulatory requirements in formulation of financial strategies
- Sources of finance – long term, short term and international
- Exchange rate – risk agencies involved and procedures followed in international financial operations

2. Financial Management Decisions

- Capital structure theories and planning
- Cost of capital
- Designing Capital Structure
- Capital budgeting
- Lease financing
- Working capital management
- Financial services
- Dividend and retention policies
- Criteria for selecting sources of finance, including finance for international investments
- Effect of financing decisions on Balance Sheet and Ratios
- Financial management in public sector
- Role of Treasury function in terms of setting corporate objectives, funds management – national and international
- Contemporary developments – WTO, GATT, Corporate Governance, TRIPS, TRIMS, SEBI regulations as amended from time to time

3. Financial analysis & planning

- Funds flow and cash flow analysis
- Financial ratio analysis -Ratios in the areas of performance, profitability, financial adaptability, liquidity, activity, shareholder investment and financing, and their interpretation.
- Limitations of ratio analysis

- Identification of information required to assess financial performance
- Effect of short-term debt on the measurement of gearing.

4. Operating and financial leverages

- Analysis of operating and financial leverages
- Concept and nature of leverages operating risk and financial risk and combined leverage
- Operating leverage and Cost volume Profit analysis – Earning Before Interest and Tax (EBIT) and Earning Per Share (EPS), indifference point.

5. Financial Strategy

- Financial and Non-Financial objective of different organizations
- Impact on Investment, finance and dividend decisions
- Sources and benefits of international financing
- Alternative Financing strategy in the context of regulatory requirements
- Modeling and forecasting cash flows and financial statements based on expected values for variables – economic and business
- Sensitivity analysis for changes in expected values in the models and forecasts
- Emerging trends in financial reporting

6. Investment Decisions

- Costs, Benefits and Risks analysis for projects
- Linking investment with customer's requirements
- Designing Capital Structure
- The impact of taxation, potential changes in economic factors and potential restrictions on remittance on these calculations
- Capital investment real options
- Venture Capital financing
- Hybrid financing / Instruments

7. Project Management

- Project Identification and Formulation
- Identification of Project opportunities
- Project Selection Consideration and Feasibility Studies
- Project appraisal & Cost Benefit analysis
- Source of Project Finance & Foreign Collaboration

8. International Finance

- Minimization of risk,
- Diversification of risk
- Forward and futures,
- Forward rate agreements
- Interest rate swaps
- Caps, floors and collars
- Parity theorems
- FDI
- Money market hedge
- Options.

9. Sources of International Finance

- Rising funds in foreign markets and investments in foreign projects
- Forward rate agreements and interest rate guarantees
- Transaction, translation and economic risk, Interest rate parity, purchasing power parity and the Fisher effects
- Foreign Direct Investment

10. International Monetary and Financial System

- Understanding the International Monetary System
- Export and Import Practices
- International Financial Management: Important issues and features, International Capital Market
- International Financial Services and Insurance: Important issues and features