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FINANCIAL MANAGEMENT

Text, Problems and Cases

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M Y Khan
P K Jain

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(cash flow) and its essential ingredients. This is followed in Chapter 6 by a detailed account of the capital budgeting evaluation techniques, traditional as well as time-adjusted or discounted cash flow. The incorporation of risk and uncertainty into the capital budgeting exercise is elaborated in Chapter 7. Chapter 8 attempts to develop the concept and measurement of cost of capital—the most controversial element in financial management. The last chapter of this part (Chapter 9) dwells on the Indian corporate practices pertaining to capital expenditure decision-making in both the public and private sectors.

The second important decision involved in financial management (financing decision) is covered in the three chapters of Part IV. The discussions in Chapter 10 pertaining to the two inter-related aspects, i.e. operating and financial leverage, set the framework for the capital structure decisions of a firm. The capital structure theories, reflecting the controversy in the financial literature regarding the theoretical relationship between capital structure, cost of capital and value of a firm are examined in Chapter 11. In the light of the conclusions of this chapter, the considerations having a bearing on the designing of an appropriate capital structure are highlighted in the next chapter (Chapter 12).

Part V of the volume is devoted to the relevant dimensions of dividend policy decision. The first aspect, viz, the controversy in the academic literature as regards the relevance of dividend policy to the value of the enterprise, is the subject matter of Chapter 13. It is against the background of this theoretical discussion that Chapter 14 dwells on the determinants of an appropriate dividend policy.

Finally, Part VI of the book focusses on the management of current assets, more popularly designated as working capital management. The first three chapters of this part between them provide an overview of working capital management and deal respectively with the theory of working capital management in terms of the basic strategies for efficient management of current assets and current liabilities (Chapter 15), the planning and determinants of working capital (Chapter 16) and the financing and control of working capital in India with particular reference to the report of the Tandon Committee (Chapter 17). The next three chapters look into the management of the individual components of current assets. While cash management is the theme of Chapter 18, the various dimensions of receivables management are explained in Chapter 19. The last chapter (Chapter 20) discusses the relevant aspects of inventory management.

Detailed solutions of all the exercises included in each chapter of this book are provided in our book: *Management Accounting* and *Financial Management—Problems and Solutions*.

In the preparation of this book we have received encouragement and support from various quarters. In particular we would like to thank Mr. H.C. Jain, Librarian of the University South Campus Library for the excellent library support he provided to us at short notice. Mr. Subhash Chander deserves our thanks for speedy and accurate typing of the final draft.

Finally, we would be failing in our duty if we do not acknowledge the deep debt of gratitude that we owe to the various authors whose writings have provided an insight into the intricacies of the subject.

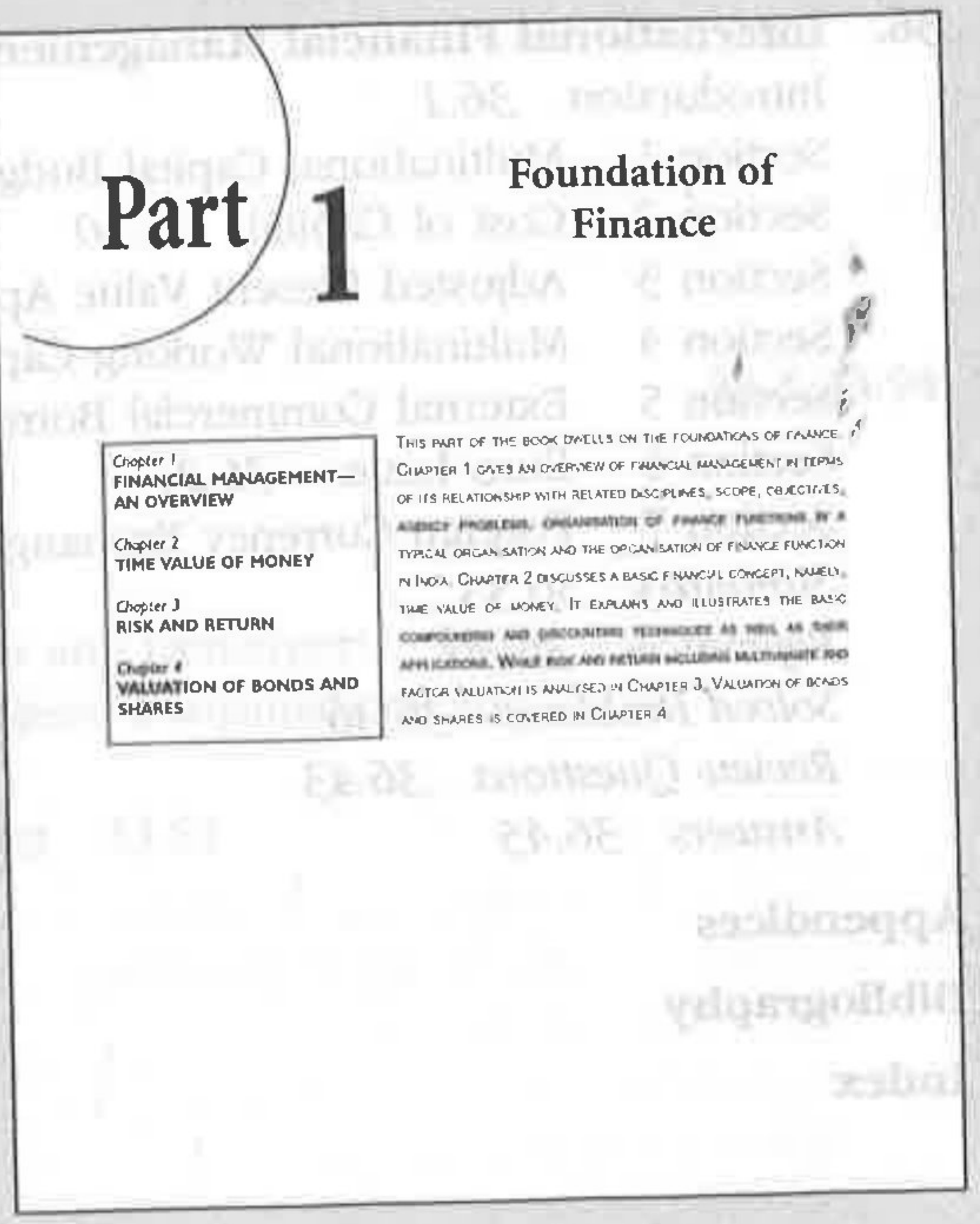
M Y Khan
P K Jain

Contents

Visual Walkthrough

Part Preview

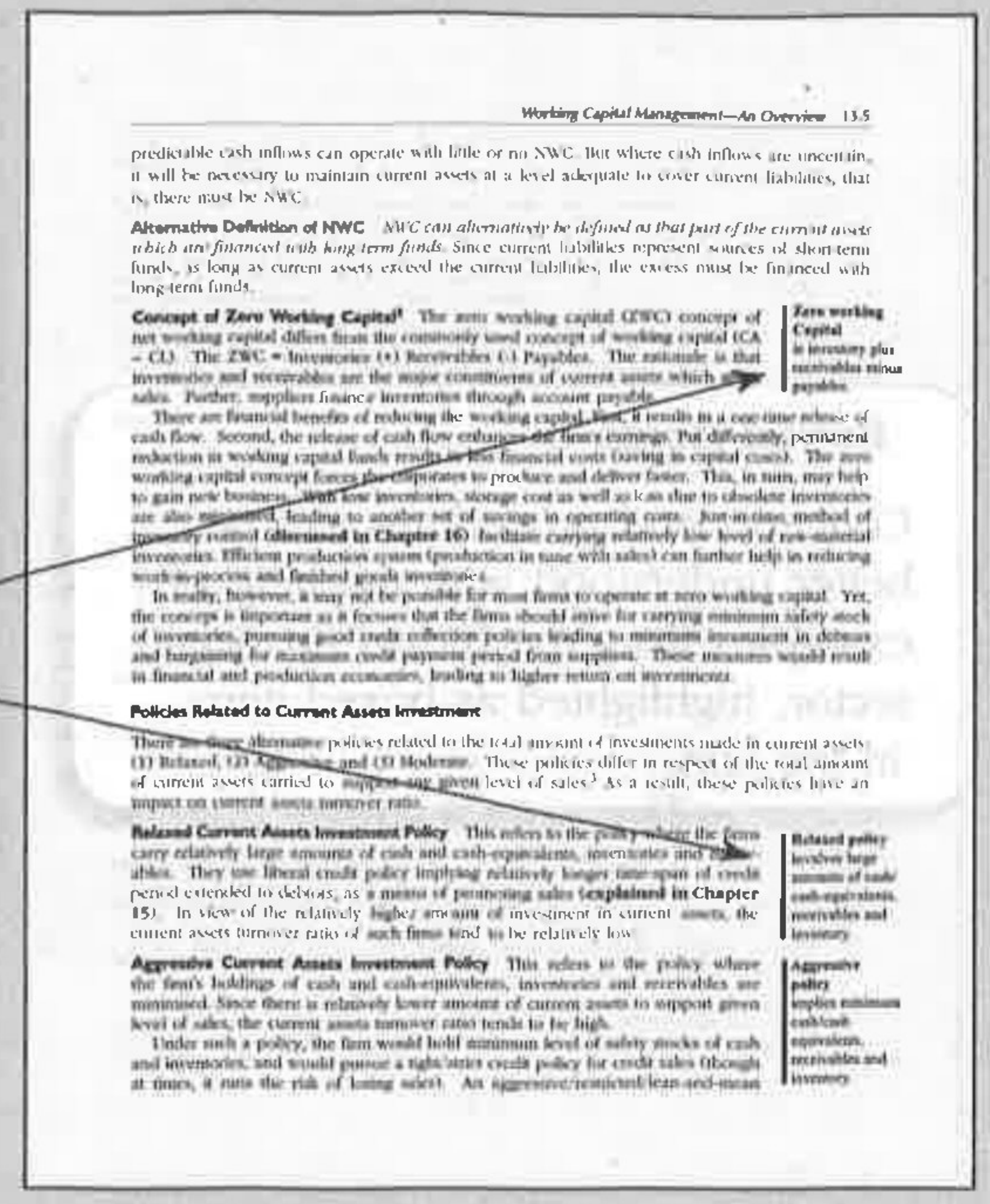
Each part begins with an overview that provides a glimpse of the contents in its chapters.


Part 1 Foundation of Finance

Chapter 1 FINANCIAL MANAGEMENT—AN OVERVIEW
Chapter 2 TIME VALUE OF MONEY
Chapter 3 RISK AND RETURN
Chapter 4 VALUATION OF BONDS AND SHARES

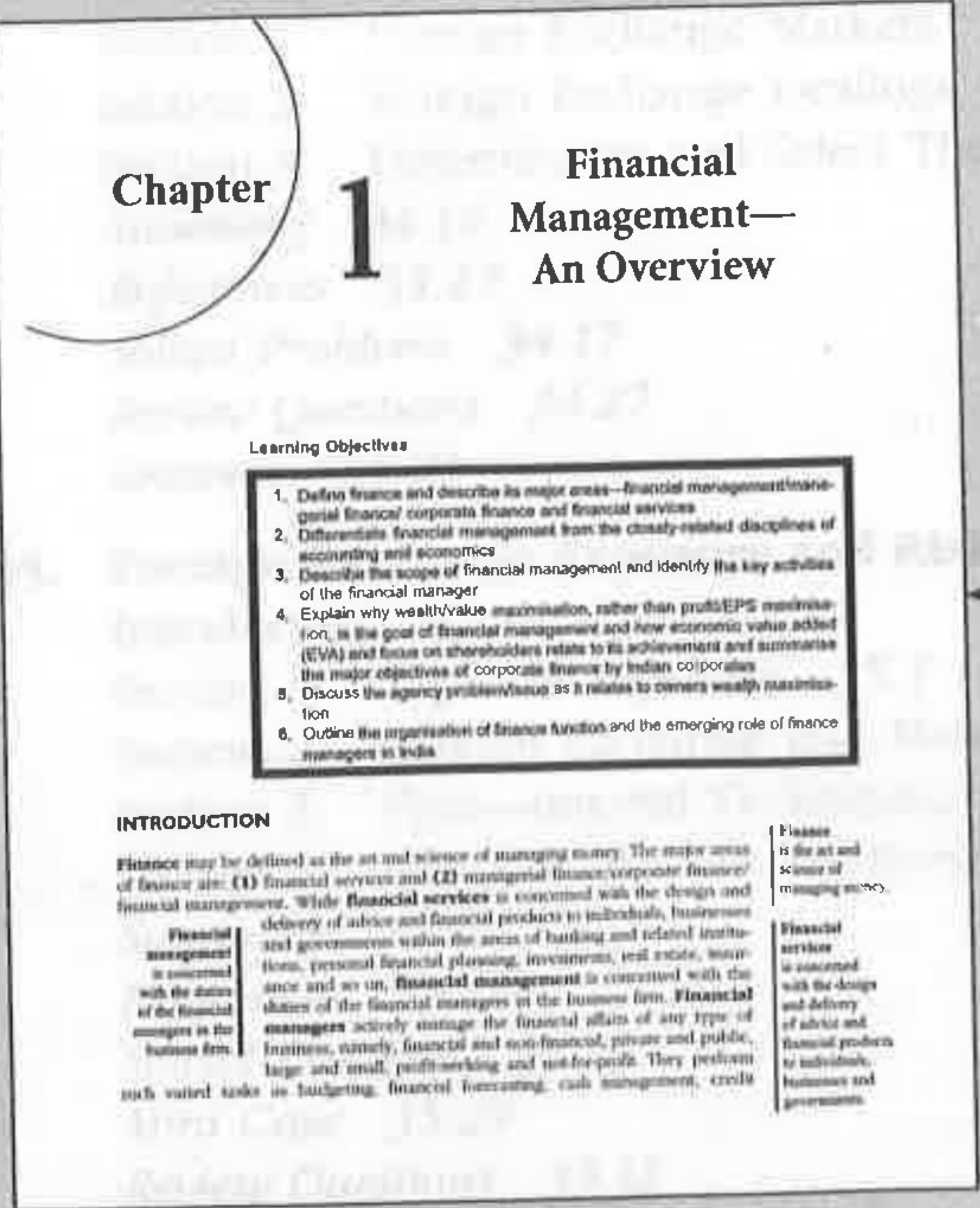
Margin Notes

Important concepts and key terms are briefly summarised in the notes given in the margins.


Working Capital Management—An Overview 15.5

Learning Objectives

At the beginning of each chapter, the learning objectives outline what all the reader has to know when the chapter is completed.

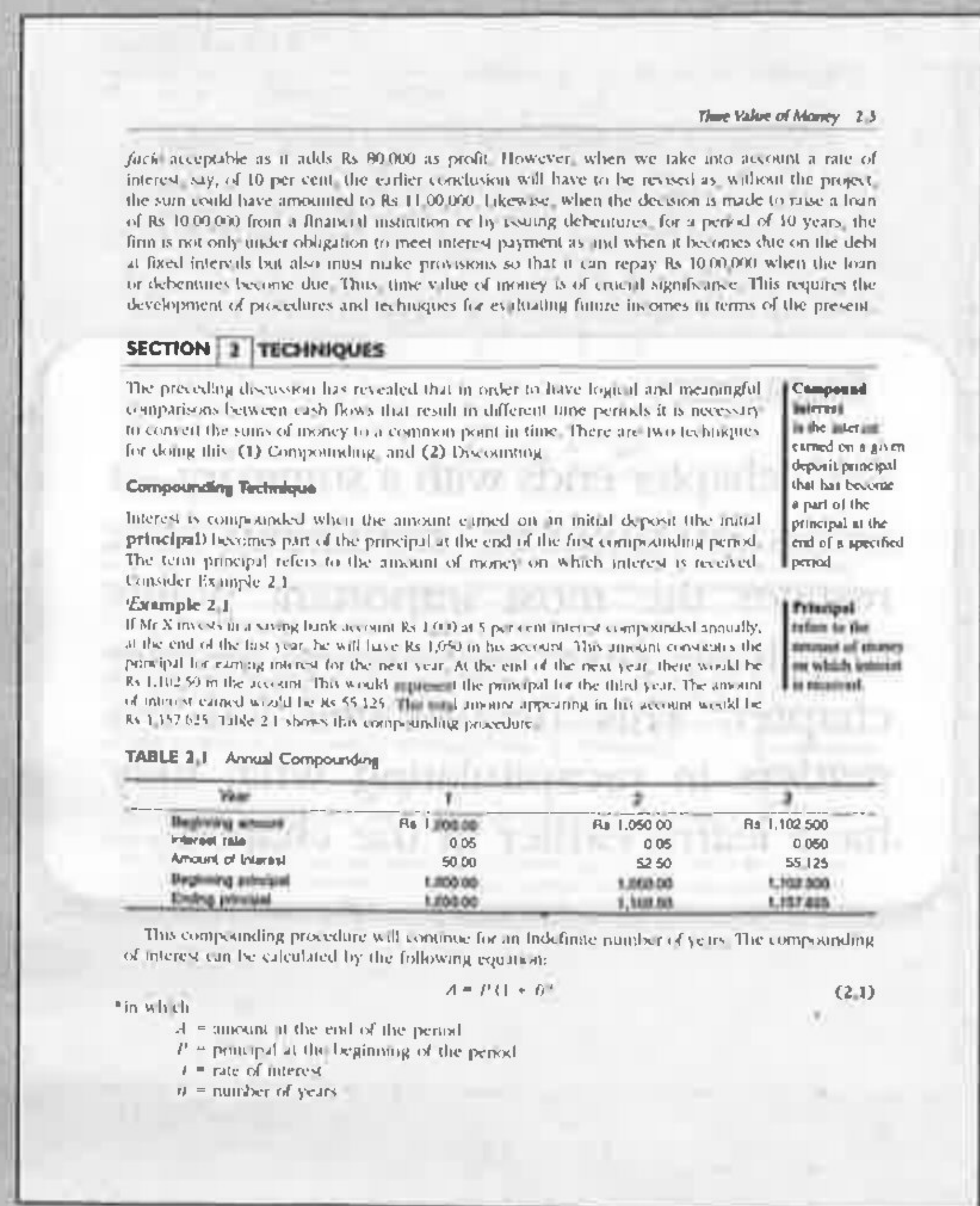

Chapter 1 Financial Management—An Overview

Learning Objectives

INTRODUCTION

Examples

Solved examples help in the better understanding of concepts.


Time Value of Money 2.3

SECTION 2 TECHNIQUES

TABLE 2.1 Annual Compounding

$A = P(1 + i)^n$ (2.1)

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Financial Management by Khan and Jain continues to aid the financial manager by lucidly explaining theories, concepts and techniques with its comprehensive coverage. With an analytical approach and dedicated decisional focus for concepts, the text helps understand the dynamic discipline of Financial Management.

For more information about this book as well as instructor and student resources, scan the adjacent QR code, or visit
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