

CFM-TMH Professional Series in Finance

Financial Management

A
Definitive
Guide on the
Subject for over
27 Years



Theory
and
Practice



Eighth Edition

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Contents

<i>Preface to the Eighth Edition</i>	vii
<i>Preface to the First Edition</i>	xi
<i>Acknowledgements</i>	xiii

PART I: Introduction **1**

I. Financial Management: An Overview **3**

1.1 Forms of Business Organisation	4
1.2 Financial Decisions in a Firm	6
1.3 Goal of Financial Management	7
1.4 The Fundamental Principle of Finance	11
1.5 Building Blocks of Modern Finance	11
1.6 Risk-Return Tradeoff	12
1.7 Agency Problem	13
1.8 Business Ethics and Social Responsibility	14
1.9 Organisation of the Finance Function	16
1.10 Relationship of Finance to Economics and Accounting	18
1.11 Emerging Role of the Financial Manager in India	19
1.12 Outline of the Book	20
<i>Summary</i>	21
<i>Questions</i>	22

2. The Financial System **23**

2.1 Functions of the Financial System	24
2.2 Financial Assets	26
2.3 Financial Markets	26
2.4 Financial Market Returns	28

- 2.5 Financial Intermediaries 32
- 2.6 Regulatory Infrastructure 34
- 2.7 Growth and Trends in the Indian Financial System 36
 - Summary 37
 - Questions 38
 - Problems 38

PART II: Financial Analysis and Planning 39

3. Financial Statements, Taxes, and Cash Flow 41

- 3.1 Balance Sheet 42
- 3.2 Profit and Loss Account 48
- 3.3 Profit versus Cash Flow 53
- 3.4 Statement of Cash Flow 54
- 3.5 Consolidated Financial Statements 58
- 3.6 Other Items in the Annual Report 59
- 3.7 Manipulation of the Bottom Line 60
- 3.8 Taxes 61
- 3.9 Modifying Accounting Data for Managerial Decisions 64
 - Summary 67
 - Questions 67
 - Solved Problems 68
 - Problem 70

4. Analysis of Financial Statements 72

- 4.1 Financial Ratios 72
- 4.2 DuPont Analysis 87
- 4.3 Standardised Financial Statements 89
- 4.4 Applications of Financial Analysis 91
- 4.5 Using Financial Statement Analysis 93
- 4.6 Going Beyond the Numbers 95
 - Summary 96
 - Questions 97
 - Solved Problems 97
 - Problems 102
 - Minicase I 106
 - Minicase II 107

5. Financial Planning and Forecasting 110

- 5.1 What and Why of Financial Planning 111
- 5.2 Sales Forecast 112
- 5.3 Pro Forma Profit and Loss Account 113
- 5.4 Pro Forma Balance Sheet 114
- 5.5 Financial Modeling Using Spreadsheet 117
- 5.6 Growth and External Financing Requirement 121
- 5.7 Key Growth Rates 123
 - Summary 127
 - Questions 127
 - Solved Problems 128
 - Problems 131
 - Minicase 135

PART III: Fundamental Valuation Concepts 137

6. The Time Value of Money 139

- 6.1 Time Lines and Notation 139
- 6.2 Future Value of a Single Amount 140
- 6.3 Present Value of a Single Amount 144
- 6.4 Future Value of an Annuity 146
- 6.5 Present Value of an Annuity 151
- 6.6 Present Value of a Perpetuity 158
- 6.7 Intra-Year Compounding and Discounting 159
 - Summary 162
 - Questions 163
 - Solved Problems 163
 - Problems 166
 - Minicase I 169
 - Minicase II 170

7. Valuation of Bonds and Stocks 171

- 7.1 Valuation Concepts 172
- 7.2 Bond Valuation 172
- 7.3 Bond Yields 176
- 7.4 Bond Market 179
- 7.5 Valuation of Preference Stock 180
- 7.6 Equity Valuation: Dividend Discount Model 181
- 7.7 Equity Valuation: The P/E Ratio Approach 189
- 7.8 The Relationship Between Earnings-Price Ratio, Expected Return, and Growth 190

7.9	Stock Market	192	
	<i>Summary</i>	195	
	<i>Questions</i>	196	
	<i>Solved Problems</i>	196	
	<i>Problems</i>	199	
	<i>Minicase I</i>	200	
	<i>Minicase II</i>	201	
8.	Risk and Return		203
8.1	Historical Returns and Risk	204	
8.2	Expected Return and Risk of a Single Asset	209	
8.3	Risk and Return of a Portfolio	215	
8.4	Measurement of Market Risk	218	
8.5	Determinants of Beta	221	
8.6	Relationship Between Risk and Return	224	
	<i>Summary</i>	228	
	<i>Questions</i>	229	
	<i>Solved Problems</i>	229	
	<i>Problems</i>	233	
	<i>Minicase I</i>	234	
	<i>Minicase II</i>	236	
9.	Risk and Return: Portfolio Theory and Asset Pricing Models		237
9.1	Portfolio Risk	237	
9.2	Efficient Frontier and Optimal Portfolio	242	
9.3	Capital Asset Pricing Model	247	
9.4	Arbitrage Pricing Theory and Multifactor Models	251	
	<i>Summary</i>	254	
	<i>Questions</i>	255	
	<i>Solved Problems</i>	255	
	<i>Problems</i>	258	
	<i>Minicase</i>	258	
10.	Options and Their Valuation		260
10.1	How Options Work	261	
10.2	Options and Their Payoffs Just Before Expiration	262	
10.3	Factors Determining Option Values	267	
10.4	Binomial Model For Option Valuation	270	
10.5	Black and Scholes Model	272	

	<i>Summary</i>	275
	<i>Questions</i>	275
	<i>Solved Problems</i>	276
	<i>Problems</i>	277
	<i>Minicase</i>	277

PART IV: Capital Budgeting 279

11. Techniques of Capital Budgeting 281

11.1	Capital Budgeting Process	282
11.2	Project Classification	284
11.3	Investment Criteria	285
11.4	Net Present Value	285
11.5	Benefit-Cost Ratio	288
11.6	Internal Rate of Return	289
11.7	Modified Internal Rate of Returns (MIRR)	294
11.8	Payback Period	296
11.9	Accounting Rate of Return	298
11.10	Investment Appraisal in Practice	300
	<i>Summary</i>	300
	<i>Questions</i>	301
	<i>Solved Problems</i>	301
	<i>Problems</i>	302
	<i>Minicase</i>	304

12. Estimation of Project Cash Flows 305

12.1	Elements of the Cash Flow Stream	306
12.2	Basic Principles of Cash Flow Estimation	307
12.3	Cash Flow Illustrations	313
12.4	Cash Flows for a Replacement Project	315
12.5	Biases in Cash Flow Estimation	318
	<i>Summary</i>	321
	<i>Questions</i>	321
	<i>Solved Problems</i>	321
	<i>Problems</i>	323
	<i>Minicase</i>	326

13. Risk Analysis in Capital Budgeting 326

13.1	Sources and Perspectives on Risk	327
13.2	Sensitivity Analysis	329

- 13.3 Scenario Analysis 331
- 13.4 Break-Even Analysis 333
- 13.5 Hillier Model 335
- 13.6 Simulation Analysis 336
- 13.7 Decision Tree Analysis 340
- 13.8 Corporate Risk Analysis 346
- 13.9 Managing Risk 347
- 13.10 Project Selection Under Risk 349
- 13.11 Risk Analysis in Practice 351
 - Summary 352
 - Questions 353
 - Solved Problems 353
 - Problems 357
 - Minicase 359

14. The Cost of Capital 361

- 14.1 Some Preliminaries 362
- 14.2 Cost of Debt and Preference 363
- 14.3 Cost of Equity 366
- 14.4 Determining the Proportions 370
- 14.5 Weighted Average Cost of Capital 371
- 14.6 Weighted Marginal Cost of Capital 372
- 14.7 Determining the Optimal Capital Budget 374
- 14.8 Divisional and Project Cost of Capital 375
- 14.9 Floatation Cost and the Cost of Capital 378
- 14.10 Factors Affecting the Weighed Average Cost of Capital 380
- 14.11 Misconceptions Surrounding Cost of Capital 381
 - Summary 384
 - Questions 384
 - Solved Problems 385
 - Problems 387
 - Minicase 389

15. Capital Budgeting: Extensions 390

- 15.1 Choice between Projects of Unequal Life 390
- 15.2 Inter-relationship between Investment and Financing Aspects 391
- 15.3 Capital Budgeting Under Constraints 393
- 15.4 Value of Options 395
- 15.5 Sources of Positive NPV 397
- 15.6 Qualitative Influences 399

- 15.7 Corporate Strategy and Capital Budgeting 401
- 15.8 Organisational Considerations 404
 - Summary 404
 - Questions 405
 - Solved Problems 405
 - Problems 407
 - Minicase 408

PART V: Long Term Financing 409

16. Market Efficiency and Financing Decisions 411

- 16.1 Financing Decisions versus Investment Decisions 412
- 16.2 Random Walk and Search for Theory 413
- 16.3 What is an Efficient Market 414
- 16.4 Empirical Evidence 415
- 16.5 An Alternative Paradigm: The Behavioural Finance View 418
- 16.6 What is the Verdict 420
- 16.7 Implications for Corporate Finance 420
 - Summary 421
 - Questions 422

17. Sources of Long Term Finance 423

- 17.1 Equity Capital 424
- 17.2 Internal Accruals 427
- 17.3 Preference Capital 428
- 17.4 Term Loans 429
- 17.5 Debentures 431
- 17.6 Comparative Picture 433
- 17.7 Pattern of Corporate Financing in India 433
 - Summary 434
 - Questions 434

18. Raising Long Term Finance 435

- 18.1 Venture Capital and Private Equity 435
- 18.2 Initial Public Offer 438
- 18.3 Secondary Public Offer 444
- 18.4 Rights Issue 445
- 18.5 Private Placement 449

- 18.6 Obtaining a Term Loan 452
 18.7 Investment Banking 455
 Summary 458
 Questions 459
 Solved Problems 459
 Problem 460
 Minicase 460

PART VI: Capital Structure and Dividend Decisions 461

19. Capital Structure and Firm Value 463

- 19.1 Assumptions and Definitions 464
 19.2 Net Income Approach 465
 19.3 Net Operating Income Approach 466
 19.4 Traditional Position 468
 19.5 Modigliani and Miller Position 469
 19.6 Taxation and Capital Structure 477
 19.7 Tradeoff Theory 481
 19.8 Signaling Theory 484
 Summary 488
 Questions 489
 Solved Problems 489
 Problems 491

20. Capital Structure Decision 493

- 20.1 PBIT – EPS Analysis 494
 20.2 ROI – ROE Analysis 497
 20.3 Leverage Analysis 499
 20.4 Ratio Analysis 503
 20.5 Cash Flow Analysis 505
 20.6 Comparative Analysis 507
 20.7 Guidelines for Capital Structure Planning 508
 20.8 Checklist for the Capital Structure Decision 511
 20.9 Well-Crafted Financing Strategy: The Case of Reliance Industries Limited 512
 Summary 513
 Questions 514
 Solved Problems 515
 Problems 518
 Minicase 520

21. Dividend Policy and Firm Value 522

- 21.1 Models in Which Investment and Dividend Decisions are Related 522
 21.2 Traditional Position 526
 21.3 Miller and Modigliani Position 527
 21.4 Radical Position 533
 21.5 Overall Picture 534
 Summary 535
 Questions 535
 Solved Problems 535
 Problems 537

22. Dividend Decision 538

- 22.1 Why Firms Pay Dividends 539
 22.2 Dimensions of Dividend Policy 541
 22.3 Dividend Policy Formulation 544
 22.4 Corporate Dividend Behaviour 546
 22.5 Legal and Procedural Aspects 548
 22.6 Bonus Shares and Stock Splits 549
 22.7 Share Buybacks 551
 22.8 Share Buybacks and Valuation 555
 22.9 Dividend Policies in Practice 556
 Summary 557
 Questions 558
 Solved Problems 558
 Problems 559
 Minicase 559

PART VII: Working Capital Management 561

23. Working Capital Policy 563

- 23.1 Characteristics of Current Assets 564
 23.2 Factors Influencing Working Capital Requirements 565
 23.3 Level of Current Assets 567
 23.4 Current Assets Financing Policy 567
 23.5 Operating Cycle and Cash Cycle 569
 23.6 Cash Requirement for Working Capital 571
 Summary 574
 Questions 574

- Solved Problems 575
 Problems 577
 Minicase 578

24. Cash and Liquidity Management 580

- 24.1 Cash Budgeting 581
 24.2 Long Term Cash Forecasting 585
 24.3 Reports for Control 585
 24.4 Cash Collection and Disbursement 586
 24.5 Optimal Cash Balance 589
 24.6 Investment of Surplus Funds 590
 24.7 Cash Management Models 595
 Summary 601
 Questions 602
 Solved Problems 602
 Problems 604
 Minicase 605

25. Credit Management 607

- 25.1 Terms of Payment 607
 25.2 Credit Policy Variables 609
 25.3 Credit Evaluation 613
 25.4 Credit Granting Decision 617
 25.5 Control of Accounts Receivables 619
 25.6 Credit Management in India 621
 Summary 622
 Questions 623
 Solved Problems 624
 Problems 627
 Minicase 628

26. Inventory Management 630

- 26.1 Need for Inventories 630
 26.2 Order Quantity—EOQ Model 631
 26.3 Order Point 636
 26.4 Pricing of Raw Materials and Valuation of Stocks 638
 26.5 Monitoring and Control of Inventories 639
 26.6 Criteria for Judging the Inventory System 640
 26.7 Inventory Management in India 641

- Summary 642
 Questions 643
 Solved Problems 643
 Problems 646
 Minicase 648

27. Working Capital Financing 649

- 27.1 Accruals 649
 27.2 Trade Credit 650
 27.3 Working Capital Advance by Commercial Banks 651
 27.4 Regulation of Bank Finance 654
 27.5 Public Deposits 657
 27.6 Inter-Corporate Deposits 658
 27.7 Short-Term Loans from Financial Institutions 658
 27.8 Rights Debentures for Working Capital 659
 27.9 Commercial Paper 659
 27.10 Factoring 660
 Summary 661
 Questions 662
 Solved Problems 662
 Problems 663
 Minicase 664

28. Working Capital Management: Extensions 666

- 28.1 Cash Budget Simulation 666
 28.2 Discriminant Analysis and Customer Classification 667
 28.3 Advances in Inventory Management 673
 28.4 Working Capital Leverage 674
 Summary 675
 Questions 675
 Solved Problem 676
 Problems 678

PART VIII: Debt and Hybrid Financing 681

29. Debt Analysis and Management 683

- 29.1 Risk in Debt 684
 29.2 Rating of Debt Securities 686
 29.3 Design of Debt Issues 689

- 29.4 Innovations in Debt Securities 690
- 29.5 Securitisation 693
- 29.6 Bond Covenants 695
- 29.7 Bond Refunding 696
- 29.8 Duration 699
- 29.9 Term Structure of Interest Rates 701
 - Summary 706
 - Questions 706
 - Solved Problems 707
 - Problems 709
 - Minicase 710

30. Leasing, Hire-Purchase, and Project Finance 711

- 30.1 Types of Leases 711
- 30.2 Rationale for Leasing 714
- 30.3 Mechanics of Leasing 716
- 30.4 Operating Leases 718
- 30.5 Leasing as a Financing Decision 720
- 30.6 Hire-Purchase Arrangement 723
- 30.7 Choice Between Leasing and Hire-Purchase 725
- 30.8 Project Finance 727
 - Summary 731
 - Questions 731
 - Solved Problems 732
 - Problems 733
 - Minicase 734

31. Hybrid Financing 735

- 31.1 Preference Capital 736
- 31.2 Features of Warrants and Convertible Debentures 737
- 31.3 Valuation of Warrants 739
- 31.4 Valuation of Compulsorily Convertible (Partly or Fully) Debentures 741
- 31.5 Valuation of Optionally Convertible Debentures 742
- 31.6 Motives for Issuing Warrants and Convertible Debentures 745
- 31.7 Innovative Hybrids 748
 - Summary 749
 - Questions 749
 - Solved Problems 750
 - Problems 750
 - Minicase 751

PART IX: Corporate Valuation, Restructuring and Value Creation 753

32. Corporate Valuation 755

- 32.1 Adjusted Book Value Approach 756
- 32.2 Stock and Debt Approach 758
- 32.3 Direct Comparison Approach 759
- 32.4 Discounted Cash Flow Approach 763
- 32.5 Analysing Historical Performance 764
- 32.6 Estimating the Cost of Capital 770
- 32.7 Forecasting Performance 771
- 32.8 Determining the Continuing Value 774
- 32.9 Calculating the Firm Value and Interpreting the Results 776
- 32.10 DCF Approach: 2-Stage and 3-Stage Growth Models 777
- 32.11 Free Cash Flow to Equity (FCFE) Valuation 782
- 32.12 Guidelines for Corporate Valuation 783
 - Summary 785
 - Questions 786
 - Solved Problems 787
 - Problems 791
 - Minicase 793

33. Value Based Management 796

- 33.1 Methods and Key Premises of VBM 797
- 33.2 Alcar Approach 797
- 33.3 Stern Stewart Approach (EVA® Approach) 801
- 33.4 BCG Approach 811
- 33.5 Lessons from the Experiences of VBM Adopters 816
 - Summary 818
 - Questions 818
 - Solved Problems 819
 - Problems 822
 - Minicase 824

34. Mergers, Acquisitions, and Restructuring 825

- 34.1 Types of Transactions 826
- 34.2 Reasons for Mergers 828
- 34.3 Mechanics of a Merger 832
- 34.4 Costs and Benefits of a Merger 837

- 34.5 Exchange Ratio in a Merger 839
- 34.6 Purchase of a Division/Plant 844
- 34.7 Takeovers 848
- 34.8 Leveraged Buyouts 853
- 34.9 Acquisition Financing 855
- 34.10 Business Alliances 856
- 34.11 Managing Acquisitions 857
- 34.12 Divestitures 860
- 34.13 Holding Company 864
 - Summary 865
 - Questions 866
 - Solved Problems 867
 - Problems 869
 - Minicase 872

35. Corporate Governance and Executive Compensation 874

- 35.1 Divergence of Interest 875
- 35.2 Devices for Containing Agency Costs 876
- 35.3 Corporate Governance in India 877
- 35.5 Legal Provisions and SEBI Code 881
- 35.6 Reforming Corporate Governance 884
- 35.7 Executive Compensation 885
- 35.8 Employee Stock Option Plan 887
 - Summary 888
 - Questions 889

36. Performance Measurement and Balanced Scorecard 890

- 36.1 Rationale for the Current Focus on Business Performance Measurement 891
- 36.2 Comprehensive Value Metrics Framework 892
- 36.3 Non-Financial Measures 894
- 36.4 Balanced Scorecard 895
- 36.5 Performance Excellence Awards 898
 - Summary 901
 - Questions 901

PART X: Special Topics 903

37. International Financial Management 905

- 37.1 World Monetary System 906
- 37.2 Multinational Corporations (MNCs) 908

- 37.3 Foreign Exchange Markets and Rates 909
- 37.4 International Parity Relationships 915
- 37.5 International Capital Budgeting 919
- 37.6 Financing Foreign Operations 922
- 37.7 International Financial Markets 924
- 37.8 Financing and Insuring Exports 928
- 37.9 Documents in International Trade 930
- 37.10 Foreign Exchange Exposure 932
- 37.11 Management of Foreign Exchange Exposure 934
- 37.12 Multinational Working Capital Management 939
 - Summary 940
 - Questions 941
 - Solved Problems 942
 - Problems 944
 - Minicase 945

38. Financial Management in Sick Units 947

- 38.1 Definition of Sickness 947
- 38.2 Causes of Sickness 949
- 38.3 Symptoms of Sickness 950
- 38.4 Prediction of Sickness 950
- 38.5 Revival of a Sick Unit 954
- 38.6 Debt Restructuring 956
- 38.7 Turnaround Stories 958
 - Summary 960
 - Questions 960

39. Financial Management in Companies with Special Characteristics 961

- 39.1 Financial Management in Public Sector Enterprises 961
- 39.2 Financial Management in Intangible-Intensive Companies 966
 - Summary 972
 - Questions 972

40. Corporate Risk Management 973

- 40.1 Classification of Risks 974
- 40.2 Why Total Risk Matters 974
- 40.3 Measurement of Risk in Non-Financial Firms 976
- 40.4 Principle of Hedging 977

40.5 Hedging with Forward Contracts 979

40.6 Hedging with Futures Contracts 981

40.7 Hedging with Swaps 984

40.8 Hedging with Option Contracts 989

40.9 Hedging with Insurance 990

40.10 Evolution of Risk Management Tools 992

40.11 Risk Management Practices 993

40.12 Guidelines for Risk Management 995

Summary 997

Questions 998

Solved Problems 999

Problems 1000

Minicase 1001

41. Global Financial Crisis 1002

41.1 Contributory Factors 1002

41.2 What the Experts Say 1007

41.3 Some Possible Remedies 1009

Summary 1010

Questions 1010

42. The State of Our Knowledge 1011

42.1 The Central Ideas of Finance 1011

42.2 The Unresolved Issues or Puzzles of Finance 1015

Questions 1017

Appendix A: Tables 1019

Appendix B: Solutions to End-of-Chapter Problems and Minicases 1028

Appendix C: Sources of Financial Information 1038

Glossary 1044

Index 1057

INTRODUCTION

1 Financial Management: An Overview

2 The Financial System

- Trade Credit** Inter-firm credit arising from credit sales. It is recorded as an account receivable (debtor) by the seller and as an account payable (creditor) by the buyer.
- Transaction Exposure** Risk to a firm with known foreign currency cash flows due to changes in exchange rates (cf. *economic exposure*, *translation exposure*).
- Translation Exposure** Risk of unfavourable effects on a firm's statements that may arise from changes in exchange rates (cf. *economic exposure*, *transaction exposure*).
- Treasurer** Financial officer concerned mainly with the task of financing and activities related thereto.
- Turnover Ratios** Turnover ratios, also referred to as activity ratios or asset management ratios, measure how efficiently the assets are employed by the firm.
- Unfunded Debt** Debt that matures in less than one year (cf. *funded debt*).
- Unique Risk** (unsystematic risk, specific risk) Risk that cannot be diversified away.
- Unlisted Security** Security which is not listed on a recognised stock exchange.
- Unsystematic Risk** Risk that can be diversified away. It is also referred to as unique risk, specific risk, residual risk, or diversifiable risk.
- Utility Theory** A theory which deals with money, risk, and utility (index of satisfaction).
- Variance** A measure of dispersion defined as the mean squared deviation from the expected value.
- Vertical Merger** A merger between a supplier and its customer.
- WACC** Weighted average cost of capital.
- Warrant** Call option issued by a company.
- Weak-form Efficiency** Prices reflect all historical market related information.
- White Knight** A friendly suitor sought by a target company threatened by an unwelcome suitor.
- Winner's Curse** Uninformed bidders tend to over-bid and become winners.
- Working Capital** There are two measures of working capital: gross working capital and net working capital. Gross working capital is the total of current assets. Net working capital is the difference between the total of current assets and the total of current liabilities.
- Workout** An informal arrangement between a borrower and lenders.
- Written Down Value Method** A depreciation method according to which the depreciation charge is a percentage of the written down value of the asset.
- Yield Curve** A curve representing the promised yield to maturity of debt instruments of a given risk and the maturity of the instrument.
- Yield to Maturity** The rate of return earned on a security if it is held till maturity.
- Z Score** Measure of the probability of bankruptcy.
- Zero Coupon Bond** A bond that makes no coupon payments and is issued at a steep discount over its face value.

Index

A

- ABC analysis 639
 Accounting break-even 334
 Accounting rate of return 298
 Accruals 649
 Acid-test ratio 75
 Acquisitions 826
 Adjusted book value approach 756
 Adjusted net income method 585
 Adjusted net present value 392
 Adverse selection 992
 Ageing schedule 620
 Agency costs 482
 Agency problem 13
 Alcar approach 797
 American depository shares (ADS) 927
 American option 261
 Annuity 157
 Annuity 146
 Arbitrage pricing theory 251
 Arbitrage argument 470
 Arithmetic mean 205
 Ask price 911
 Auditor's report 59
 Average collection period (ACP) 79

B

- Balance sheet 42
 Balanced scorecard 895
 Balridge award 899
 Baumol model 595
 BCG approach 811
 Behavioural finance 418
 Benefit-cost ratio 288

- Beta 218
 Bid price 911
 Bill of exchange 608
 Bill of lading 931
 Concentration banking 588
 Conglomerate merger 828
 Binomial model 270
 Black-Scholes model 272
 Bombay Stock Exchange 193
 Bond refunding 696
 Bonus shares 549
 Book building 441
 Budgeted expense method 113
 Bulldog bonds 926
 Business ethics 15
 Business risk 509
 Buyer's credit 927

C

- Call option 262
 Capital return 205
 Capital asset pricing model (CAPM) 224
 Capital gains 63
 Capital market line 247
 Caps 990
 Cash credit 652
 Cash cycle 569
 Cash discount 611
 Cash flow coverage ratio 504
 Cash flow return on investment 814
 Cash ratio 75
 Cash value added (CVA) 815
 Certainty equivalent method 350
 Classified cash flow statement 56

- Clause 49 882
 - Coefficient of correlation 239
 - Cogeneric merger 828
 - Collection float 586
 - Collection matrix 620
 - Commercial banks 33
 - Commercial paper 659
 - Commodity linked bonds 691
 - Common size analysis 89
 - Company 5
 - Compound interest 142
 - Consignment 608
 - Consolidated financial statements 58
 - Constant growth model 184
 - Continuing value 774
 - Continuous compounding 160
 - Controller 17
 - Conversion value 744
 - Convertible debentures 737
 - Cooperative society 5
 - Corporate governance 877
 - Corporate social responsibility 15
 - Cost of debt 363
 - Cost of equity 366
 - Cost of preference 365
 - Coupon rate 173
 - Covariance 238
 - Credit period 610
 - Credit standards 609
 - Currency futures 914
 - Currency options 913
 - Currency swaps 986
 - Current assets 47
 - Current liabilities 46
 - Current ratio 75
 - Current yield 177
- D**
- Days sales outstanding 619
 - Debentures 431
 - Debt ratings 686
 - Debt restructuring 956
 - Debt service coverage ratio 78,504
 - Debt-asset ratio 76
 - Debt-equity ratio 76
 - Debtors turnover 79
 - Decision tree analysis 340
 - Deep discount bonds 690
- Default risk 685
 - Default swaps 986
 - Degree of financial leverage 501
 - Degree of operating leverage 500
 - Degree of total leverage 502
 - Demergers 862
 - Depository receipts 927
 - Depreciation 62
 - Direct comparison approach 759
 - Direct quote 910
 - Direct taxes 61
 - Directors' report 59
 - Disbursement float 586
 - Discounted cash flow approach 763
 - Discounted payback period 297
 - Discriminant analysis 616,667
 - Disinvestment 964
 - Diversifiable risk 217
 - Divestitures 827,860
 - Divisional cost of capital 376
 - Doubling period 143
 - Du Pont analysis 87
 - Duration 699
- E**
- Earning power 81
 - Earnings-price approach 369
 - Economic order quantity (EOQ)
 - Effective rate of interest 160
 - Efficient frontier 242
 - Efficient market 413
 - Electronic funds transfer 589
 - Employee stock option scheme (ESOS) 887
 - Equity capital 424
 - Equivalent loan amount 722
 - Eurobond 914
 - Eurocurrency loans 924
 - Eurodollars 924
 - European Business Excellence Model 899
 - European options 261
 - EVA® 801
 - EV-EBIDTA margin 83
 - Exchange ratio 839
 - Exercise price 261
 - EXIM bank 929
 - External commercial borrowings 925
 - External funds requirement 122

- F**
- Factoring 660
 - Feasible combinations approach 394
 - FIFO 638
 - Finance lease 712
 - Financial assets 26
 - Financial break-even 335
 - Financial intermediaries 32
 - Financial leverage 223
 - Financial markets 26
 - Financial modeling 117
 - Financial risk 509
 - Fisher effect 917
 - Fixed assets 46
 - Fixed assets coverage ratio 505
 - Fixed assets turnover 80
 - Fixed charges coverage ratio 77
 - Float 586
 - Floation costs 378
 - Floating rate bonds 690
 - Foreign bond 925
 - Foreign exchange market 909
 - Forfeiting 929
 - Forward contracts 979
 - Forward discount 913
 - Forward interest rate 702
 - Forward interest rate 705
 - Forward market hedge 934
 - Forward premium 912
 - Forward rate 912
 - Forward rate agreement 980
 - Free cash flow 65
 - Free cash flow to equity 782
 - French auction 441
 - Future value interest factor (FVIF) 141
 - Futures contracts 981
 - Futures price 981
- G**
- Geometric mean 206
 - Global depository receipts (GDRs) 927
 - Going concern value 172
 - Gordon model 525
 - Greenmail 852
 - Gross exchange rate 908
 - Gross profit margin 80
 - G-secs 592
- H**
- Hedging 977
 - Hillier model 335
 - Hire purchase 723
 - H-model 186
 - Holding company 864
 - Horizontal merger 828
 - Hypothecation 653
- I**
- Immunisation 701
 - Income tax 62
 - Indifference curve 244
 - Indirect quote 910
 - Indirect taxes 63
 - Inflation risk 684
 - Initial public offering (IPO) 438
 - Institutional imperative 875
 - Insurance 990
 - Interest coverage ratio 77
 - Interest rate parity 915
 - Interest rate risk 684
 - Interest rate swaps 985
 - Interest rates 28
 - Internal accruals 427
 - Internal growth rate 123
 - Internal rate of return 289
 - International bond 925
 - International Fisher effect 917
 - Interest coverage ratio 503
 - Intrinsic value 172
 - Inventory turnover 78
 - Inverse floaters 692
 - Investment banking 455
- J**
- Junk bonds 692
 - Just-in-time system 639
- L**
- Lead manager 442
 - Lead steers 511
 - Leading and lagging 937
 - Letter of credit 608
 - Leverage analysis 499

Leveraged buyout (LBO) 853
LIBOR (London interbank offer rate) 924
Linear programming model 395
Lintner model 546
Liquidation value 172
Liquidity preference theory 705
Loan amortisation 153
Lock-box 587
Long position 979

M

Margin amount 654
Marked to market 981
Market risk 217
Market segmentation theory 706
Market value to book value ratio 83
Matching principle 568
Materials requirements planning 673
Maturity period 173
Maximum permissible bank finance 655
Memorandum of understanding 963
Mergers 826
Miller and Modigliani position 527
Miller and Orr model 598
Minimum alternate tax 62
Modified internal rate of return 294
Modigliani and Miller position 469
Money market hedge 936
Moral hazard 992
Multifactor model 253
Multinational Corporations 908
Multiple rates of return 292
Mutual funds 34

N

National Stock Exchange 193
Negative cash cycle 571
Net advantage of leasing (NAL) 721
Net cash flow 54
Net float 586
Net income approach 465
Net operating income approach 466
Net operating profit after tax 65
Net present value 285
Net profit margin 81
Netting and offsetting 937
Noise trading 418
Nominal price 29

Nominal rate 29
Non-diversifiable risk 217
Normal distribution 212
Numerical credit scoring 615

O

Open account 608
Operating cycle 569
Operating exposure 933
Operating lease 712
Operating leverage 222
Operating profit margin 81
Opportunity costs 309
Optimal portfolio 243
Option forward 936
Order point 636
Overdraft 652
Over-the counter (OTC) markets 28

P

Pacman defence 852
Parta system 898
Partnership 4
Pass through certificates (PTCs) 694
Payback period 296
PBIT-EPS analysis 494
Percent of sales method 113
Pledge 654
Poison pills 852
Pooling of interest method 835
Portfolio risk 237
Pre-emptive right 425
Preference capital 428
Preferential allotment 449
Preferred habitat theory 705
Prepetuity 158
Present value interest factor for an annuity (PVIFA) 152
Present value interest factor (PVIF) 145
Present value of a growing annuity 156
Present value of growth opportunities 192
Price-earnings ratio 83
Principial only swaps 986
Private equity 437
Private limited company 6
Private placement 449
Probability distribution 209
Profit and loss account 48

Proforma balance sheet 114
Proforma profit and loss account 113
Project finance 727
Prospectus 441
Provisions 46
Public deposits 657
Public limited company 6
Purchase method 835
Purchasing power parity 916
Pure play 377
Put option 263
Put-call parity theorem 267

Q

Q ratio 84
Qualified insititutional placement 450
Qualified Institutional Buyers (QIBs) 440

R

Radical position 533
Random walk 413
Rate of return 210
Rational expectations hypothesis 532
Ready forwards 593
Real rate 29
Receipts and payments method 581
Reinvestment risk 685
Reserve Bank of India (RBI) 34
Reserves and surplus 45
Return on invested capital 706
Rights issue 445
Risk adjusted discount rate 349
Risk neutral valuation 271
ROI-ROE analysis 497
Rollover contracts 935
Rule of 69, 72, 143

S

Safety stock 636
Sale and lease back 712
Sales forecast 112
Samurai bonds 926
Sarbanes Oxley Act 884
Scenario analysis 331
SEBI takeover code 850
Secondary market 27
Secondary public offer 444

Secured loans 45
Securities Exchange Board of India (SEBI) 35
Securitisation 694
Security market line 224, 248
Semi strong form efficiency 415
Sensex 194
Sensitivity analysis 329
Separation theorem 246
Share buyback 551
Share capital 45
Short position 979
SIBOR 924
Signaling theory 484
Simple interest 142
Simulation analysis 336
Sinking fund depreciation 804
Slump sale 860
Smoothed residual dividend policy 545
Sole proprietorship 4
Spellovers 968
Spinoff 863
Splitoff 863
Spot price 983
Spot rate 911
Staggered board 852
Standard deviation 210
Statement of cash flow 54
Stock and debt approach 758
Stock market 192
Stock splits 550
Strike price 261
Strong form efficiency 415
Structured notes 692
Sum of the years digits method 724
Sunk Cost 309
Supplier's credit 928
Sustainable growth rate 125
Swap rate 911
Swaps 984
Systematic risk 217

T

Takeovers 848
Tandon Committee 655
Tata business excellence model 899
Term loans 429
Term structure of interest rates 701
Three-stage growth model 780
Time line 139

Total assets turnover 80
 Total business return (TBR) 812
 Total shareholder return 811
 Trade credit 650
 Trade draft 931
 Tradeoff theory 481
 Traditional position 468
 Transaction exposure 932
 Translation exposure 933
 Treasurer 17
 Treasury bills 592
 Treasury bonds 172
 Two stages growth model 185, 778

U

Underwriters 442
 Uniform annual equivalent 391
 Unique risk 217
 Unsecured loans 45
 Unsystematic risk 217

V

Venture capital 435
 Vertical merger 828

W

Walter model 523
 Warrants 737
 Weak form efficiency 415
 Weighted average cost of capital 371
 Weighted marginal cost of capital 372
 White knight 852
 Working capital leverage 674

Y

Yankee bonds 926
 Yield 82
 Yield to call 178
 Yield to maturity 177

Z

Zero coupon bonds 690

T

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