

BACHELORS WITH FINANCE (COMMERCE) AS MAJOR (CT – II)
6th SEMESTER

FIN622J2 FINANCE (COMMERCE) _ WORKING CAPITAL MANAGEMENT

CREDITS: THEORY – 04; TUTORIAL – 02

COURSE DESCRIPTION

The course is designed to acquaint the students with the various aspects of Working Capital Management to augment their decision-making capabilities as Financial Managers.

COURSE OBJECTIVE

1. *To enable the students to understand Working Capital Management and its relevance in corporate finance decision making.*
2. *To acquaint the students with the concepts of Inventory Management, Receivables Management & Cash Management.*

COURSE OUTCOME

The students are expected to have clear understanding of Working Capital Management and its application in the business organization. Moreover, the students are expected to enhance their financial decision-making skills and capabilities.

UNIT-I

Concepts of Working Capital. Operating and Cash Conversion Cycle. The Matching principle: Permanent Working Capital & Temporary Working Capital. Balanced Working Capital Position. Determinants of Working Capital. Issues in Working Capital Management. Estimating Working Capital Needs: Seasonalities, Negative Cash Flow Shocks & Positive Cash Flow Shocks. Policies for Financing Current Assets.

UNIT-II

Inventory Management: Meaning, Objectives of Inventory management, Types of inventories and cost of inventories. Investment Management Process. Techniques of Inventory Control: Economic Order Quantity (EOQ). Selective inventory control techniques:- ABC Analysis, Just-In-Time (JIT). Analysis of Investment in Inventory: Incremental Analysis.

UNIT-IV

Receivables Management: Meaning and objectives of Receivables management, Credit policy variables and Collection Policy, Credit Granting decision process, Control of Accounts receivables. Optimum Credit Policy: A Marginal Cost-benefit Analysis. Monitoring Receivables.

UNIT-IV

Cash Management: Meaning of Cash, Motives for Holding Cash, Methods of accelerating and Decelerating cash flows; Methods of determining optimum Cash Balance, Forms of Liquidity, Choosing the Liquidity Mix, Management of Surplus Cash. Working Capital Financing: Accruals, Trade Credits, Commercial Bank Advances, Commercial Paper & Factoring.

TUTORIALS

Apart from the individual attention being given to the students, Tutorials shall include the following:

- A. *Case Studies individually or in groups*
- B. *Group Discussions on subject specific current issues/development*
- C. *Assignments*
- D. *Project Work & Viva-Voice*
- E. *Field Visits & Reports*
- F. *Practicals wherever applicable*

SUGGESTED READINGS:

1. Clayman, M. R., Fridson, M. S. & Troughton, G. H. “*Corporate Finance: A Practical Approach*”, John Wiley & Sons Inc. New Jersey.
2. Pandey, I. M. “*Financial Management*”, Vikas Publishing House, New Delhi.
3. Berk, J. & Demarzo, P. “*Corporate Finance: A Global Edition*”, Pearson Publications, New York.
4. Quirry, P., Dallocchio, M. et al. “*Corporate Finance: Theory & Practice*”, John Wiley & Sons Ltd. UK.

Note: Latest editions of text books may be used.