REFACE TO SECOND EDITION

Although finance is considered as the life blood of an organisation, Finance as a discipline of study evolved only in 20th century. Financial management or corporate finance has widened in its scope overtime especially since 1950's. As of today, Financial management is an integral aspect of any business organisation. It is concerned with acquisition of funds and their optimum utilisation so as to maximise shareholders' wealth.

The main motivation of writing this book has been my students, many of them are now teachers and investment professionals. I have been teaching the paper of Financial management at post graduate level for about 17 years and doing research in various areas of financial management including capital structure, dividend decision, working capital management etc.

The present book "Basic Financial Management" is written with objective of providing the user an elementary but comprehensive understanding of the concepts and techniques of financial management. It explains various concepts, tools and techniques related with financial management and financial decision making, with lively examples and suitable illustrations. There is a comprehensive discussion on the nature, scope and objectives of financial management along with Time Value of Money concept. Various financial management decisions *viz*. Capital budgeting, Capital structure, Dividend decision and Working capital management are dealt with in detail. The book takes to the reader on a journey of financial decision making process.

The book comprising of 12 chapters is segregated in five units.

The first unit deals with the overview of financial management and the concept of Time value of money. It comprises of two chapters, Chapter 1-Financial Management: An Overview and Chapter 2-Time value of money.

While Chapter 1 explains in detail the evolution, nature, scope and objectives of financial management, the concept and techniques of Time value of money are discussed in Chapter 2.

The second Unit provides a detailed discussion on Capital budgeting and Cost of capital. It comprises of three chapters, chapters 3, 4 and 5. Chapter 3 explains the importance of capital budgeting decision and estimation of cash flows. Chapter 4 discusses elementary techniques of evaluating capital projects. Chapter 5 explains the concept and calculation of cost of capital.

Unit III presents a comprehensive explanation of leverage analysis and financing decision in a firm popularly known as capital structure decision. It has two Chapters, Chapters 6 and 7. Chapter 6 explains the concept and calculation of various types of leverages while Chapter 7 provides theories of capital structure and factors affecting capital structure choice in an organisation.

Unit IV comprising of only one chapter discusses dividend decision in a comprehensive manner. Theories of dividend and dividend policies form the core part of this chapter. Students are also explained the importance of stable dividend policy and various factors affecting dividend decision in an organisation.

The last unit, Unit V, which deals with Working capital management spans over four Chapters, Chapters 9, 10, 11 and 12. Chapter 9 provides an overview of working capital and explains estimation of net working capital requirement in a firm. Chapters 10, 11 and 12 explain cash management, receivables management and Inventory management respectively.

The salient features of the text presented in this book are:

- 1. *Learning outcomes* Every chapter begins with a list of learning outcomes which the reader will achieve after successful completion of the chapter. It sets the broad framework for the chapter.
- 2. *Main Text* Various concepts and techniques have been explained in a lucid and well knit manner. Wherever required the explanation is supplemented by suitable illustrations and examples.
- 3. *Solved Problems* Each chapter provides sufficient number of solved problems for better understanding and application of the concepts explained in the main text.
- 4. *Summary* Each chapter provides summary points to recapitulate the concepts and tools explained in the chapter. It helps the reader to glance over the entire discussion presented in that chapter.
- 5. *Test Yourself* Every chapter provides a variety of assignments to test the knowledge of the reader. It comprises of True/False statements, theory questions and numerical problems.

6. *Excel Applications in Financial Management* - The book also contains excel applications in financial management in relevant chapters using spreadsheet.

Sufficient care has been taken while preparing the manuscript for the book. However, there may be some unintentional errors. Readers are welcome to send all comments, suggestions at <u>vanitatripathi.dse@gmail.com</u>

Happy reading!

Dr. VANITA TRIPATHI (July 2017)