

4. Financial Management

Objectives

:

On completion of this subject students should be able to apply capital budgeting principles and techniques to investment proposals in order to facilitate optimum decision-making, understand the risk/return trade-off inherent in portfolio analysis and selection; understand how to apply techniques suitable for valuing various debt and equity securities; examine and evaluate empirical research relating to the optimum financial structure of the firm; understand the nature, purpose and limitations of financial ratios and other data to evaluate performance and credit risks; examine and understand empirical research relating to the concept of market efficiency; examine and evaluate empirical research relating to the optimum dividend policy of the firm.

Synopsis :

- Find, use, and manage funds in different organisations
- Select and evaluate techniques used in treasury management and investment decision making
- Analyse the changing, competitive business environment in order to formulate financial strategy.

Contents :

1. Fundamental Concepts of Financial Mathematics
2. Introduction to the Theory of Valuation
3. Portfolio Returns and Risks
4. Capital Asset Pricing Model
5. Efficient Markets Theory
6. Dividend Policy
7. Bond Yields and Bond Pricing
8. Introduction to Capital Markets and Funding Sources
9. Evaluation and Selection of Capital Investment Projects
10. Estimating Project Cash Flows
11. Capital Budgeting
12. Cost of Capital

Assessment :	Final examination	60%	Assignment	40%
Pass Marks :	Final marks	50% AND	Examination only	50%
Learning Time :	Face to face teaching	:	60 hours	
	Self Study	:	60 hours	
	Assignments	:	15 hours	
	Examination Preparation	:	15 hours	
			150 hours	

Additional References:

Ball, Brown, Finn & Officer, *Share Markets and Portfolio Theory: Readings & Evidence*, 2nd Ed., University of Queensland Press (a reference for Australia)

Bruce,R., McKern,B., Pollard T., & Skully,M., *Handbook of Australian Corporate Finance*, 5th Ed., Butterworth (a reference for Australia)

Arrif, M., & Johnson,L., *Securities Markets and Stock Pricing Evidence in a Developing Asian Equity Market*, Longman Professional Books, International, 1990 (an Asian perspective)

Ariff, M., Shamsher, M., & Nasir, A.M., *Stock Pricing in Malaysia*, UPM Press, 1998 (Malaysian resource)

Ross, S., Westerfield,W., & Jaffe, R., *Corporate Finance*, 3 Ed., Irwin, Homewood, Illinois (any edition).

(Other books may be included after discussion with the instructor).