

# **Financial, Treasury and Forex management**

CS Final : Group II :: Paper 4: [One paper: Three hours - 100 marks]

**Level of Knowledge :** Expert knowledge.

**Objectives . . .**

- i. To provide conceptual clarity about the management tools and techniques used in financial planning, analysis, control and decision making.
- ii. To provide knowledge of derivatives, forex and treasury management to enable the candidates to tackle practical situation with ease.

**Detailed Contents . . .**

## **1. Nature and Scope of Financial Management**

Nature, significance, objectives and scope of financial management; risk-return and value of the firm; financial distress and insolvency; financial sector reforms and their impact on financial management; functions of finance executive in an organisation; financial management – recent developments.

## **2. Capital Budgeting Decisions**

Planning and control of capital expenditure; capital budgeting process; techniques of capital budgeting- discounted and non-discounted cash flow methods, choice of methods; capital rationing; risk evaluation and sensitivity analysis, simulation for risk evaluation; linear programming and capital budgeting decisions.

## **3. Capital Structure Decisions**

Meaning and significance of capital structure; capital structure vis-a-vis financial structure; capital structure planning and designing; optimal capital structure; determinants of capital structure; capital structure and valuation - theoretical analysis; EBIT – EPS analysis; cost of capital; factors affecting cost of capital, measurement of cost of capital, weighted average cost of capital, marginal cost of capital; risk and leverage; measures of leverage, leverage effects on shareholders returns.

## **4. Sources of Company Finance**

Equity, non-voting preference shares; debentures and bonds; company deposits; term loans from financial institutions and banks; international finance and syndication of loans; euro-issues and external commercial borrowings; internal funds as a source of

finance; dividend policy and retention of profits; bonus shares; deferred payment arrangements; corporate taxation and its impact on corporate financing; financing cost escalation.

## **5. Dividend Policy**

Introduction; types, determinants and constraints of dividend policy; different dividend theories — Walter's Model, Gordon's Model and Modigliani-Miller Hypothesis of dividend irrelevance; forms of dividend; dividend policy - practical considerations and legal constraints; corporate dividend practices in India; statutory framework.

## **6. Working Capital Management and Control**

Working capital - meaning, types, determinants; assessment of working capital requirements - operating cycle concept and applications of quantitative techniques; management of working capital - cash, receivables, inventories; financing of working capital; banking norms and macro aspects of working capital management.

## **7. Security Analysis and Portfolio Management**

Security analysis - fundamental approach, technical approach and efficient capital market theory; portfolio management - meaning, objectives; portfolio theory – traditional approach; modern approach - CAPM model.

## **8. Financial Services**

Meaning, significance and scope of financial services; types of financial services – merchant banking, leasing and hire purchase, venture capital, mutual funds, factoring and forfaiting, securitisation of debt, loan syndication, custodial and corporate advisory services, credit rating; present status of financial services industry in India.

## **9. Project Planning and Control**

Project Planning and preparation of project report; project appraisal under normal, inflationary and deflationary conditions; project appraisal by financial institutions – lending policies and appraisal norms by financial institutions; IDBI, IFCI, ICICI, etc; loan documentation and loan syndication, project review and control; social cost and benefit analysis of project.

## **10. Derivatives**

Concept of derivatives; financial derivatives and commodity derivatives; types of derivatives – forward contracts, futures contracts, options; participants in futures and options market, stock index futures; derivative markets in India.

## **11. Treasury Management**

Meaning, objectives, significance, functions and scope of treasury management; relationship between treasury management and financial management; role and responsibilities of chief finance executive; tools of treasury management; internal treasury controls; environment for treasury management, present status of treasury management in India.

## **12. Forex Management**

Nature, significance and scope of forex management; forex manager; foreign exchange market; foreign exchange rates; determinants of foreign exchange rates; exchange rate quotes; types of exchange rates; forex trading; foreign exchange risk exposures and their management; exchange rate forecasting; present status of foreign exchange market in India.

## **13. Recent Developments in Financial, Treasury and Forex Management.**

## **14. Case Studies.**

### **Readings**

- 
- **Tata McGraw Hill publishing Co. Ltd;** New Delhi.
    1. Financial management
      - M.Y. Khan & P.K Jain
    2. Financial Management – theory & problems
      - Prasanna Chandra
  - **Vikas publishing House Pvt. Ltd;** New Delhi
    1. Financial management (1999)
      - I.M. Pandey
  - **Sultan Chand & Sons,** Darya Ganj, New Delhi
    1. Financial management – principles & practice
      - S.N . Maheshawari
  - **Chaitanya publishing House,** Allahabad.
    1. Financial management – An Analytical and Conceptual Approach
      - S.C Kuchhal
  - **Prentice Hall of India (P) Ltd;** New Delhi
    1. Financial Management & Policy
      - J.C verma
  - **West Publishing Company,** St. Paul (USA)
    1. Contemporary Financial Markets and services
      - Scott L. William
  - **Ammol Publications Pvt. Ltd;** 437/4B, Ansari Road, Darya Ganj, New Delhi – 110002.
    1. Financial Management and Policy
      - V.K Bhalla
  - **Prentice Hall, Inc;** Engleword Cliffds (USA)
    1. Options, Futures and other Derivative Securities
      - John C.Hull

- **Himalaya Publishing House**
  1. Treasury Management in India
    - V.A. Avadhani
  2. Financial Futures and Options
    - B. Brahmaiah & P. Subba Rao
- **Black well**, 118, Cowley Road, Oxford, U.K
  1. Financial Management
    - Hudson Robert
- **Prentice Hall of India Pvt, Ltd**; M – 97, Connaught Circus, New Delhi – 110001
  1. Financial Derivatives – An introduction to Futures, Forwards, Options and Swaps
    - Keith Redhead
- **Academy of Business Students**, New Delhi
  1. Foreign Exchange international Finance and Risk Management
    - A.V Rajwade
- **Snowwhite**, Mumbai
  1. Foreign Exchange Management
    - D.T. Khianani
  2. Foreign Exchange international Risk Management
    - A.V Rajwade

## References

---

- **Prentice Hall of India (P) Ltd**, New Delhi
  1. Financial Decision Making – Concerns Problems and Cases
    - John J. Hampton
- **John Willey & Sons**, New York
  1. Principles Preparation Management
    - Benton E. Gup
- **Tata McGraw Hill publishing Co. Ltd**, New Delhi
  1. Projects Preparation, Appraisal and Implementation
    - Prasanna Chandra
  2. International Financial Management
    - P.G.Apte
  3. Global Business Finance
    - Prakashm G. Apte
- **Columbia University Press**.
  1. The Theory of Financial Management
    - Ezra Soloman
- **United Nations, New Oxford & IBH publishing Co.** New Delhi
  1. Guidelines for Project Evaluation
    - P. Dasgupta, A. Sen & S. Marglin
- **Macmillan Publishing Company**, New York
  1. International Dimensions of Financial Management
    - Dennis J.O Connor Albert & T. Bueso

- **West Publishing Company**, New York
  1. Portfolio Construction, Management and Protection
    - Robert A. strong
  2. Contemporary Financial Management
    - R. Charles Moyer, James R. McGuigan & William J. Kresow
- **Wadhwa and Co. Pvt, Ltd**; Nagpur
  1. Lease Financing and Hire purchase, Nerchan Banking, Mutual Funds, Factoring and Venture Capital
    - Kothan Vinod

### **Journals, Reports etc.**

---

- **RBI Publications**, Mumbai
  1. RBI Bulletin
    -
  2. RBI Annual Report (latest)
    -
  3. Reportcum Currency and Finance (latest)
    -
- **The world Bank Headquarters**, Washington, U.S.A
  1. The world Bank Annual Report (latest)
    -
- **Government of India Publication**, New Delhi
  1. Economic Survey (latest)
    -
  2. Annual Report, Govt. of India, Ministry of Finance
    -
- **Report of the working Group, Reserve Bank of India**
  1. Guidelines issued by Various Financial institutions; Appransal of Term – loans
    -
- **The journal of American Finance Association**, New York.
  1. Journal of Finance
    -
  2. Financial and Economic Dailies
    -

### **Other Relevant Books**

---

# **Financial, Treasury and Forex management**

CS Final : Group II :: Paper 4: [One paper: Three hours - 100 marks]

**Level of Knowledge :** Expert knowledge.

## **Objectives . . .**

- i. To provide conceptual clarity about the management tools and techniques used in financial planning, analysis, control and decision making.
- ii. To provide knowledge of derivatives, forex and treasury management to enable the candidates to tackle practical situation with ease.

## **Detailed Contents . . .**

### **1. Nature and Scope of Financial Management**

Nature, significance, objectives and scope of financial management; risk-return and value of the firm; financial distress and insolvency; financial sector reforms and their impact on financial management; functions of finance executive in an organisation; financial management – recent developments.

### **2. Capital Budgeting Decisions**

Planning and control of capital expenditure; capital budgeting process; techniques of

capital budgeting- discounted and non-discounted cash flow methods, choice of methods; capital rationing; risk evaluation and sensitivity analysis, simulation for risk evaluation;

linear programming and capital budgeting decisions.

### **3. Capital Structure Decisions**

Meaning and significance of capital structure; capital structure vis-a-vis financial structure; capital structure planning and designing; optimal capital structure; determinants of capital structure; capital structure and valuation - theoretical analysis; EBIT – EPS analysis; cost of capital; factors affecting cost of capital, measurement of cost of capital, weighted average cost of capital, marginal cost of capital; risk and leverage; measures of leverage, leverage effects on shareholders returns.

### **4. Sources of Company Finance**

Equity, non-voting preference shares; debentures and bonds; company deposits; term loans from financial institutions and banks; international finance and syndication of loans; euro-issues and external commercial borrowings; internal funds as a source of finance; dividend policy and retention of profits; bonus shares; deferred payment arrangements; corporate taxation and its impact on corporate financing; financing cost escalation.

### **5. Dividend Policy**

Introduction; types, determinants and constraints of dividend policy; different dividend theories — Walter's Model, Gordon's Model and Modigliani-Miller Hypothesis of dividend irrelevance; forms of dividend; dividend policy - practical considerations and legal constraints; corporate dividend practices in India; statutory framework.

## **6. Working Capital Management and Control**

Working capital - meaning, types, determinants; assessment of working capital requirements - operating cycle concept and applications of quantitative techniques; management of working capital - cash, receivables, inventories; financing of working capital; banking norms and macro aspects of working capital management.

## **7. Security Analysis and Portfolio Management**

Security analysis - fundamental approach, technical approach and efficient capital market theory; portfolio management - meaning, objectives; portfolio theory – traditional approach; modern approach - CAPM model.

## **8. Financial Services**

Meaning, significance and scope of financial services; types of financial services – merchant banking, leasing and hire purchase, venture capital, mutual funds, factoring and forfaiting, securitisation of debt, loan syndication, custodial and corporate advisory services, credit rating; present status of financial services industry in India.

## **9. Project Planning and Control**

Project Planning and preparation of project report; project appraisal under normal, inflationary and deflationary conditions; project appraisal by financial institutions – lending policies and appraisal norms by financial institutions; IDBI, IFCI, ICICI, etc; loan documentation and loan syndication, project review and control; social cost and benefit analysis of project.

## **10. Derivatives**

Concept of derivatives; financial derivatives and commodity derivatives; types of derivatives – forward contracts, futures contracts, options; participants in futures and options market, stock index futures; derivative markets in India.

## **11. Treasury Management**

Meaning, objectives, significance, functions and scope of treasury management; relationship between treasury management and financial management; role and responsibilities of chief finance executive; tools of treasury management; internal treasury controls; environment for treasury management, present status of treasury management in India.

## **12. Forex Management**

Nature, significance and scope of forex management; forex manager; foreign exchange market; foreign exchange rates; determinants of foreign exchange rates; exchange rate quotes; types of exchange rates; forex trading; foreign exchange risk exposures and their management; exchange rate forecasting; present status of foreign exchange market in India.

## **13. Recent Developments in Financial, Treasury and Forex Management.**

## **14. Case Studies.**

### **Readings**

- 
- **Tata McGraw Hill publishing Co. Ltd;**  
New Delhi.
    1. Financial management
      - M.Y. Khan & P.K Jain
    2. Financial Management – theory & problems

- Prasanna Chandra
- **Vikas publishing House Pvt. Ltd;** New Delhi
  1. Financial management (1999)
    - I.M. Pandey
- **Sultan Chand & Sons,** Darya Ganj, New Delhi
  1. Financial management – principles & practice
    - S.N . Maheshawari
- **Chaitanya publishing House,** Allahabad.
  1. Financial management – An Analytical and Conceptual Approach
    - S.C Kuchhal
- **Prentice Hall of India (P) Ltd;** New Delhi
  1. Financial Management & Policy
    - J.C verma
- **West Publishing Company,** St. Paul (USA)
  1. Contemporary Financial Markets and services
    - Scott L. William
- **Ammol Publications Pvt. Ltd;** 437/4B, Ansari Road, Darya Ganj, New Delhi – 110002.
  1. Financial Management and Policy
    - V.K Bhalla
- **Prentice Hall, Inc;** Engleword Cliffds (USA)
  1. Options, Futures and other Derivative Securities
    - John C.Hull
- **Himalaya Publishing House**
  1. Treasury Management in India
    - V.A. Avadhani
  2. Financial Futures and Options
    - B. Brahmaiah & P. Subba Rao
- **Black well,** 118, Cowley Road, Oxford, U.K
  1. Financial Management
    - Hudson Robert
- **Prentice Hall of India Pvt, Ltd;** M – 97, Connaught Circus, New Delhii – 110001

1. Financial Derivatives – An introduction to Futures, Forwards, Options and Swaps
  - Keith Redhead
- **Academy of Business Students**, New Delhi
  1. Foreign Exchange international Finance and Risk Management
    - A.V Rajwade
- **Snowwhite**, Mumbai
  1. Foreign Exchange Management
    - D.T. Khianani
  2. Foreign Exchange international Risk Management
    - A.V Rajwade

## References

---

- **Prentice Hall of India (P) Ltd**, New Delhi
  1. Financial Decision Making – Concerns Problems and Cases
    - John J. Hampton
- **John Willey & Sons**, New York
  1. Principles Preparation Management
    - Benton E. Gup
- **Tata McGraw Hill publishing Co. Ltd**, New Delhi
  1. Projects Preparation, Appraisal and Implementation
    - Prasanna Chandra
  2. International Financial Management
    - P.G.Apte
  3. Global Business Finance
    - Prakashm G. Apte
- **Columbia University Press**.
  1. The Theory of Financial Management
    - Ezra Soloman
- **United Nations, New Oxford & IBH publishing Co.** New Delhi
  1. Guidelines for Project Evaluation
    - P. Dasgupta, A. Sen & S. Marglin

- **Macmillan Publishing Company**, New York
  1. International Dimensions of Financial Management
    - Dennis J.O Connor Albert & T. Bueso
- **West Publishing Company**, New York
  1. Portfolio Construction, Management and Protection
    - Robert A. strong
  2. Contemporary Financial Management
    - R. Charles Moyer, James R. McGuigan & William J. Kresow
- **Wadhwa and Co. Pvt, Ltd**; Nagpur
  1. Lease Financing and Hire purchase, Nerchan Banking, Mutual Funds, Factoring and Venture Capital
    - Kothan Vinod

#### **Journals, Reports etc.**

---

- **RBI Publications**, Mumbai
  1. RBI Bulletin
    -
  2. RBI Annual Report (latest)
    -
  3. Reportcum Currency and Finance (latest)
    -
- **The world Bank Headquarters**, Washington, U.S.A
  1. The world Bank Annual Report (latest)
    -
- **Government of India Publication**, New Delhi
  1. Economic Survey (latest)
    -
  2. Annual Report, Govt. of India, Ministry of Finance
    -
- **Report of the working Group, Reserve**

**Bank of India**

1. Guidelines issued by Various Financial institutions; Appraisal of Term – loans
  -
- **The journal of American Finance Association**, New York.
  1. Journal of Finance
    -
  2. Financial and Economic Dailies
    -

**Other Relevant Books**

---

Author Credit : [Team Future Accountant](#)

# **Financial, Treasury and Forex management**

CS Final : Group II :: Paper 4: [One paper: Three hours - 100 marks]

**Level of Knowledge :** Expert knowledge.

## **Objectives . . .**

- i. To provide conceptual clarity about the management tools and techniques used in financial planning, analysis, control and decision making.
- ii. To provide knowledge of derivatives, forex and treasury management to enable the candidates to tackle practical situation with ease.

## **Detailed Contents . . .**

### **1. Nature and Scope of Financial Management**

Nature, significance, objectives and scope of financial management; risk-return and value of the firm; financial distress and insolvency; financial sector reforms and their impact on financial management; functions of finance executive in an organisation; financial management – recent developments.

### **2. Capital Budgeting Decisions**

Planning and control of capital expenditure; capital budgeting process; techniques of capital budgeting- discounted and non-discounted cash flow methods, choice of methods; capital rationing; risk evaluation and sensitivity analysis, simulation for risk evaluation; linear programming and capital budgeting decisions.

### **3. Capital Structure Decisions**

Meaning and significance of capital structure; capital structure vis-a-vis financial structure; capital structure planning and designing; optimal capital structure; determinants of capital structure; capital structure and valuation - theoretical analysis; EBIT – EPS analysis; cost of capital; factors affecting cost of capital, measurement of cost of capital, weighted average cost of capital, marginal cost of capital; risk and leverage; measures of leverage, leverage effects on shareholders returns.

### **4. Sources of Company Finance**

Equity, non-voting preference shares; debentures and bonds; company deposits; term loans from financial institutions and banks; international finance and syndication of loans; euro-issues and external commercial borrowings; internal funds as a source of finance; dividend policy and retention of profits; bonus shares; deferred payment arrangements; corporate taxation and its impact on corporate financing; financing cost

escalation.

## **5. Dividend Policy**

Introduction; types, determinants and constraints of dividend policy; different dividend theories — Walter's Model, Gordon's Model and Modigliani-Miller Hypothesis of dividend irrelevance; forms of dividend; dividend policy - practical considerations and legal constraints; corporate dividend practices in India; statutory framework.

## **6. Working Capital Management and Control**

Working capital - meaning, types, determinants; assessment of working capital requirements - operating cycle concept and applications of quantitative techniques; management of working capital - cash, receivables, inventories; financing of working capital; banking norms and macro aspects of working capital management.

## **7. Security Analysis and Portfolio Management**

Security analysis - fundamental approach, technical approach and efficient capital market theory; portfolio management - meaning, objectives; portfolio theory – traditional approach; modern approach - CAPM model.

## **8. Financial Services**

Meaning, significance and scope of financial services; types of financial services – merchant banking, leasing and hire purchase, venture capital, mutual funds, factoring and forfaiting, securitisation of debt, loan syndication, custodial and corporate advisory services, credit rating; present status of financial services industry in India.

## **9. Project Planning and Control**

Project Planning and preparation of project report; project appraisal under normal, inflationary and deflationary conditions; project appraisal by financial institutions – lending policies and appraisal norms by financial institutions; IDBI, IFCI, ICICI, etc; loan documentation and loan syndication, project review and control; social cost and benefit analysis of project.

## **10. Derivatives**

Concept of derivatives; financial derivatives and commodity derivatives; types of derivatives – forward contracts, futures contracts, options; participants in futures and options market, stock index futures; derivative markets in India.

## **11. Treasury Management**

Meaning, objectives, significance, functions and scope of treasury management;

relationship between treasury management and financial management; role and responsibilities of chief finance executive; tools of treasury management; internal treasury controls; environment for treasury management, present status of treasury management in India.

## **12. Forex Management**

Nature, significance and scope of forex management; forex manager; foreign exchange market; foreign exchange rates; determinants of foreign exchange rates; exchange rate quotes; types of exchange rates; forex trading; foreign exchange risk exposures and their management; exchange rate forecasting; present status of foreign exchange market in India.

## **13. Recent Developments in Financial, Treasury and Forex Management.**

## **14. Case Studies.**

### **Readings**

- 
- **Tata McGraw Hill publishing Co. Ltd;** New Delhi.
    1. Financial management
      - M.Y. Khan & P.K Jain
    2. Financial Management – theory & problems
      - Prasanna Chandra
  - **Vikas publishing House Pvt. Ltd;** New Delhi
    1. Financial management (1999)
      - I.M. Pandey
  - **Sultan Chand & Sons,** Darya Ganj, New Delhi
    1. Financial management – principles & practice
      - S.N . Maheshawari
  - **Chaitanya publishing House,** Allahabad.
    1. Financial management – An Analytical and Conceptual Approach
      - S.C Kuchhal
  - **Prentice Hall of India (P) Ltd;** New Delhi
    1. Financial Management & Policy
      - J.C verma
  - **West Publishing Company,** St. Paul (USA)
    1. Contemporary Financial Markets and services
      - Scott L. William
  - **Ammol Publications Pvt. Ltd;** 437/4B, Ansari Road, Darya Ganj, New Delhi – 110002.
    1. Financial Management and Policy
      - V.K Bhalla
  - **Prentice Hall, Inc;** Engleword Cliffds (USA)
    1. Options, Futures and other Derivative Securities
      - John C.Hull
  - **Himalaya Publishing House**

1. Treasury Management in India
  - V.A. Avadhani
2. Financial Futures and Options
  - B. Brahmaiah & P. Subba Rao
- **Black well**, 118, Cowley Road, Oxford, U.K
  1. Financial Management
    - Hudson Robert
- **Prentice Hall of India Pvt, Ltd**; M – 97, Connaught Circus, New Delhi – 110001
  1. Financial Derivatives – An introduction to Futures, Forwards, Options and Swaps
    - Keith Redhead
- **Academy of Business Students**, New Delhi
  1. Foreign Exchange international Finance and Risk Management
    - A.V Rajwade
- **Snowwhite**, Mumbai
  1. Foreign Exchange Management
    - D.T. Khianani
  2. Foreign Exchange international Risk Management
    - A.V Rajwade

## References

---

- **Prentice Hall of India (P) Ltd**, New Delhi
  1. Financial Decision Making – Concerns Problems and Cases
    - John J. Hampton
- **John Willey & Sons**, New York
  1. Principles Preparation Management
    - Benton E. Gup
- **Tata McGraw Hill publishing Co. Ltd**, New Delhi
  1. Projects Preparation, Appraisal and Implementation
    - Prasanna Chandra
  2. International Financial Management
    - P.G.Apte
  3. Global Business Finance
    - Prakashm G. Apte
- **Columbia University Press**.
  1. The Theory of Financial Management
    - Ezra Soloman
- **United Nations, New Oxford & IBH publishing Co.** New Delhi
  1. Guidelines for Project Evaluation
    - P. Dasgupta, A. Sen & S. Marglin
- **Macmillan Publishing Company**, New York
  1. International Dimensions of Financial Management
    - Dennis J.O Connor Albert & T. Bueso
- **West Publishing Company**, New York

1. Portfolio Construction, Management and Protection
  - Robert A. strong
2. Contemporary Financial Management
  - R. Charles Moyer, James R. McGuigan & William J. Kresow
- **Wadhwa and Co. Pvt, Ltd;** Nagpur
  1. Lease Financing and Hire purchase, Nerchan Banking, Mutual Funds, Factoring and Venture Capital
    - Kothan Vinod

### **Journals, Reports etc.**

---

- **RBI Publications,** Mumbai
  1. RBI Bulletin
    -
  2. RBI Annual Report (latest)
    -
  3. Reportcum Currency and Finance (latest)
    -
- **The world Bank Headquarters,** Washington, U.S.A
  1. The world Bank Annual Report (latest)
    -
- **Government of India Publication,** New Delhi
  1. Economic Survey (latest)
    -
  2. Annual Report, Govt. of India, Ministry of Finance
    -
- **Report of the working Group, Reserve Bank of India**
  1. Guidelines issued by Various Financial institutions; Appransal of Term – loans
    -
- **The journal of American Finance Association,** New York.
  1. Journal of Finance
    -
  2. Financial and Economic Dailies
    -

### **Other Relevant Books**

---

Author Credit : [Team Future Accountant](#)