

COURSE TITLE	ENTREPRENEURIAL FINANCE
COURSE CODE	05FN0401
COURSE CREDITS	4

Objective:

- 1 To impart a thorough understanding about Working Capital Management in detail.
- 2 To impart a thorough understanding about Cash Management and Receivable Management.
- 3 To impart a thorough understanding about how to Finance Working Capital.
- 4 To impart through understanding about Valuation of Business or Enterprise.

Course Outcomes: After completion of this course, student will be able to:

- 1 Student can delve into enforcing efficient management of working capital, which encompasses understanding its concept, nature, components, objectives, factors influencing it, practical application through the operating cycle approach, recognizing the importance of adequate working capital while mitigating disadvantages of excess, estimating requirements, identifying sources, and analyzing case studies.
- 2 Student can enhance their understanding of comprehensive cash and receivables management by delving into the meaning of cash, its facets, motives for holding cash, strategies for managing cash collection and disbursements, investing surplus funds in marketable securities, implementing cash budgeting techniques, defining receivables, analyzing the cost of maintaining them, establishing credit policies and terms aligned with organizational goals, evaluating individual accounts for creditworthiness, monitoring receivables effectively, exploring dimensions of receivables management in practical scenarios, and leveraging factoring types and benefits to optimize financial operations.
- 3 Student can delve into enhancing working capital management, which involves optimizing various sources like bank financing and trade credit, distinguishing between permanent and temporary working capital, understanding procedures to avail working capital including the regulation of bank financing, exploring types of working capital finance such as commercial papers, and recognizing the potential benefits through a case study analysis.
- 4 Student can delve into embellishing the understanding of valuation by exploring the conceptual framework and various approaches/methods, delineating components of enterprise value, distinguishing between enterprise value and market cap as well as enterprise value and P/E ratio, recognizing limitations of enterprise value, and exploring alternative approaches to value measurement, while practically applying concepts through examples and case studies to differentiate enterprise value from equity value.

Pre-requisite of course: Basic Knowledge of Working Capital

Teaching and Examination Scheme

Theory Hours	Tutorial Hours	Practical Hours	ESE	IA	CSE	Viva	Term Work
3	0	2	50	30	20	25	25

Contents : Unit	Topics	Contact Hours
1	Working Capital Management Concept of Working capital, Nature of Working Capital, Component of Working Capital, Objective of Working Capital, Factors affecting Working Capital, Operating Cycle Approach / Working Capital Cycle (Practical), Importance or Advantages of Adequate Working Capital, Disadvantages or Excess of Working Capital, Estimation of working capital requirements Sources of working Capital, Case Study	11
2	Cash and Receivables Management Meaning of Cash, Facets of Cash Management, Motive for holding cash, managing cash collection and disbursements, investing surplus, cash in marketable securities, cash budgeting, Techniques of Cash Management, Meaning and Definition of Receivables, Cost of Maintaining Receivables, Credit Policies, Credit Terms, Nature and Goals, credit evaluation of individual accounts and its monitoring receivables, Dimensions of Receivables Management (Practical), Factoring: types and benefits	11
3	Financing Working Capital Sources of Working Capital, Permanent or Fixed Working Capital, Temporary or Variable Working Capital, Procedures to Avail Working Capital, Financing from Banks, Regulation of Bank Financing. (Practical), Trade Credit, Bank Finance and Commercial Papers, Types of Working Capital Finance, Some potential benefits of working capital finance, Case study	11
4	Business or Enterprise Valuation Conceptual Framework of Valuation; Approaches/Methods of Valuation, Components of Enterprise Value, Enterprise Value vs. Market Cap, Enterprise Value vs. P/E Ratio, Limitations of EV, Other Approaches to Value Measurement. Practical of Enterprise Value, Enterprise Value vs. Equity Value, Practical example & practice, Case study	12
Total Hours		45

Suggested List of Experiments:

Contents : Unit	Topics	Contact Hours
1	Unit-1 Calculate the operating cycle of a company which gives the following details relating to its operations: Particular Rs. Raw materials consumption per annum 8,42,000 Annual Cost of Production 14,25,000 Annual Sales 15,30,000 Average value of current assets held: Raw- Materials 1,24,000 Work in progress 72,000 Finished Good 1,22,000 Debtors 2,60,000 The company gets 30 days credit from its suppliers. All sales made by the firm are on credit only. You may take one year as equal to 365 days, Prepare an estimate of working capital requirements. (i) Projected annual sales — 80,000 units. (ii) Selling price Rs. 8 per unit. (iii) Percentage of profit 20%. (iv) Credit allowed to debtors — 10 weeks. (v) Credit	30

allowed to suppliers — 8 weeks. (vi) Average stock holding (in terms of sales) — 10 weeks. (vii) Allow 20% for contingencies. (Ans: 1,41,786), V.S.M. Ltd. is engaged in large scale retail business. From the following information. You are required to forecast their working capital requirements. Projected Annual Sales Rs. 130 lakhs Percentage of net profit on cost of sales 25% Average credit period allowed to debtors 8 weeks. Average credit period allowed by creditors 4 weeks. Average stock carrying 8 weeks (in terms of sales requirements). Add : 10% to computed figures to allow for contingencies. (Ans: 24,75,000), Arvind Ltd. supplies the following information's for calculating the working capital. Firm levels of activity of Rs. 2,40,000 units. The cost structures particulars are: Cost Per Unit (Rs.) Raw materials 30 Direct labour 10 Over-heads 20 Total 60 Profit 15 Selling price 75 (a) Raw materials are in store on average for 1 month. (b) Work in process (100% complete in regard to materials and 50% for labour and overheads for half a month's production. (c) Finished goods remain in Godown on average for a month. (d) Suppliers one month to customers 2 months (calculation of customers may be made on selling price). (e) Minimum cash balance required is Rs. 30,000. (f) The production is evenly throughout the year. (Ans: 46,80,000), Following is the information of Shri Aruna Industries Ltd. Latur for the year 30th June 2018. Their plan is to sell 30,000 units in the year 2018-2019. The expected cost of goods sold is as under you are required to calculate the working capital requirements. Particulars Rs. (Per Unit) Raw Material 100 Manufacturing Expenses 30 Selling, administration and financial expenses 20 Selling price 200 The duration at various stages of the operating cycle is expected to be as follows Raw material stage 2 months Work-in-progress stage 1 month Finished goods stage 1/2 month Debtors stage 1 month Assuming that the monthly sales level of 2,500 units, estimate the gross working capital necessity. Expected cash balance is 5% of the gross working capital necessity, and working-progress in 25% complete with respect to manufacturing expenses, Following is the information of Ashok Industries Ltd. Latur for the year 31st Mar. 2017. You are required to calculate the working capital requirements from the following information: Particulars Rs. Raw materials 160 Direct labour 60 Overheads 120 Total cost 340 Profit 60 Selling price 400 Raw materials are held in stock on an average for 1 month period. Materials are in process on an average for 1/2 month period. Finished goods are in stock on an average for 1 month period. Credit allowed by suppliers is 1 month period and credit allowed to debtors is 2-month period. Time lag in payment of wages is 1 1/2 weeks. Time lag in payment of overhead expenses is 1 month. 1/4th of the sales is made on cash basis. Cash in hand and at the bank is anticipated to be Rs. 50,000; and anticipated level of production Cash in hand and at the bank is anticipated to be Rs. 50,000; and anticipated level of production amounts to 1,04,000 units for a year of 52 weeks. You may assume that production is carried on evenly throughout the year and a time period of four weeks is equivalent to a month., 1. Discuss the main motives behind holding cash within a business, and how do these motives influence cash management decisions, Define

receivables in financial terms and discuss their importance within the context of working capital management, From the following information, prepare a budget for three months from October 2023:

i) Opening Cash Balance in October Rs. 3,000. ii) Cash Sales October Rs.25,000, November Rs. 20,000, December Rs.15,000. iii) Credit Purchases – September Rs. 10,000, October Rs. 12,000, November Rs. 14,000, December Rs. 16,000. The period of credit allowed by suppliers is one month. iv) Dividend to be received in December Rs. 4,000. v) Advance Tax Rs. 3,000 payables in October. vi) Sale of an old asset for Rs. 12,000 during November, From the following information, prepare a cash budget for April, May and June 2023.

Month	Credit Sales	Credit Purchases	Office Expenses
February	45,000	30,000	8,000
March	55,000	25,000	7,000
April	60,000	20,000	7,000
May	60,000	40,000	9,000
June	65,000	40,000	9,000

Opening Cash Balance Rs. 5,000. Credit allowed by suppliers is two months. Credit allowed to customers is one month. Office Expenses are payable in the same month. Dividend Rs. 1,000 is receivable in April. Interest payable in May Rs. 1,800, From the following forecast of income and expenditure, prepare a cash budget for the months January to April, 2023.

Months	Sales (Credit) Rs.	Purchase (Credit) Rs.	Wages Rs.	Manufacturing Exp (Rs.)	Administrative Exp (Rs.)	Selling Exp (Rs.)
2021 Nov	30,000	15,000	3,000	1,150	1,060	500
Dec	35,000	20,000	3,200	1,225	1,040	550
2022 Jan	25,000	15,000	2,500	990	1,100	600
Feb	30,000	20,000	3,000	1,050	1,150	620
Mar	35,000	22,500	2,400	1,100	1,220	570
April	40,000	25,000	2,600	1,200	1,180	710

Additional information is as follows: i) The customers are allowed a credit period of 2 months. ii) A dividend of Rs. 10,000 is payable in April. iii) Capital Expenditure to be incurred: Plant purchased on 15th January for Rs. 5,000, a building has been purchased pm 1st March and the payments are to be made in monthly instalments of Rs. 2,000 each. iv) The creditors are allowing a credit of 2 months. v) Wages are paid on the 1st of the next month. vi) Lag in payment of other expenses in one month. vii) Balance of Cash in hand on 1st January 2023 is Rs. 15,000

Suggested List of Experiments:

Contents : Unit	Topics	Contact Hours
2	<p>Unit-2</p> <p>Discuss the role of banks in providing working capital finance to businesses. What are the common regulations governing bank financing for working capital, and how do they impact borrowing decisions, Explain the concepts of permanent or fixed working capital and temporary or variable working capital. How do businesses determine their requirements for each type of working capital, Evaluation of Bank Financing Regulations: Investigate the regulations governing bank financing for working capital and their practical implications for businesses. Analyze how compliance with these regulations affects borrowing decisions and financial management strategies, Factoring as a Working Capital Solution: Investigate factoring as a working capital finance solution for businesses. Examine its benefits, risks, and suitability for different industries and company sizes. Provide recommendations on selecting the right factoring arrangement based on specific business needs, Types of Working Capital Finance: Explore various types of working capital finance available to businesses, such as overdraft facilities, lines of credit, and invoice financing. Assess the features, costs, and benefits of each type to determine the most suitable option for different business scenarios , Compare and contrast the different approaches/methods of valuation, such as the income approach, market approach, and asset-based approach. When is each approach most appropriate, and what are their respective strengths and weaknesses, Explain the conceptual framework of valuation and its significance in determining the worth of a business or asset. What are the key factors considered in valuation processes, Differentiate between enterprise value and market capitalization (market cap). What insights do these metrics provide about a company's valuation and why is it important to consider both when assessing investment opportunities, Components of Enterprise Value Analysis: Analyze the components of enterprise value, such as debt, cash, and non-operating assets. Develop a framework for assessing how each component impacts the overall enterprise value of a company, Enterprise Value vs. P/E Ratio: Compare and contrast enterprise value with the price-to-earnings (P/E) ratio as valuation metrics. Investigate how each metric reflects different aspects of a company's valuation and financial performance, Enterprise Value vs. Market Cap Analysis: Conduct a comparative analysis between enterprise value and market capitalization as valuation metrics. Explore the differences in their calculation methods, interpretations, and implications for investors.</p>	30
Total Hours		60

Textbook :

- 1 Working Capital Management: Concepts and Strategies, H. Kent Baker, World Scientific Publishing, 2022

Textbook :

- 2 The Art of Business Valuation: Accurately Valuing a Small Business, Gregory R. Caruso, John Wiley & Sons, 2020

References:

- 1 Working Capital Management, Working Capital Management, Lorenzo Preve and Virginia Sarria-Allende, Oxford University Press, 2010
- 2 The Little Book of Valuation: How to Value a Company, Pick a Stock, and Profit, The Little Book of Valuation: How to Value a Company, Pick a Stock, and Profit, Aswath Damodaran, Wiley, 2011

Suggested Theory Distribution:

The suggested theory distribution as per Bloom's taxonomy is as follows. This distribution serves as guidelines for teachers and students to achieve effective teaching-learning process

Distribution of Theory for course delivery					
Remember / Knowledge	Understand	Apply	Analyze	Evaluate	Higher order Thinking / Creative
20.00	30.00	25.00	15.00	10.00	0.00

Instructional Method:

- 1 PPT,BOARD WORK,PRACTICAL

Supplementary Resources:

- 1 <https://www.wiley.com/en-be/Essentials+of+Working+Capital+Management>
- 2 <https://link.springer.com/book/10.1007/978-981-19-3334-9>
- 3 <https://www.cfainstitute.org>
- 4 <https://www.investopedia.com>
- 5 <https://hbr.org>
- 6 <https://onlinelibrary.wiley.com/journal/15406261>
- 7 <https://ocw.mit.edu/courses/finance>
- 8 <https://link.springer.com>
- 9 <https://www.researchgate.net>
- 10 <https://www.corporatefinanceinstitute.com>
- 11 <https://economictimes.indiatimes.com>