Book Review

FINANCIAL POLICY AND MANAGEMENT ACCOUNTING (9^{th} Edition)

Prof. Bhabatosh Banerjee
PHI Learning Private Limited

Pages: 1032; **Price:** Rs. 795

The 9th Edition of the book, *'Financial Policy and Management Accounting'*, consists of six parts covering twenty chapters, encompassing 1032 pages. In Part I, the author explained the rationale for combining Financial Management and Management Accounting in a textbook. The effort is positive and pragmatic because all management accounting decisions have an inherent link with financial success or failure. In Chapter 2, the author presented a snapshot of the Financial Environment. Following this, in chapter 3, he explained important concepts such as discounting, compounding, annuity, etc., which are essential in most decision-making. In Chapter 4, he elaborated on the valuation of securities, a yardstick for measuring value addition and wealth maximisation, the objective a firm is presumed to pursue. The stepwise progress of these four chapters aims to build the foundation essential for understanding the intricate concepts and topics in subsequent chapters of the book.

In Part II, there are five chapters, from chapter 5 to 9. In Chapter 5, the author enumerated the various sources of finance that firms can tap to raise capital for a corporate firm. In Chapter 6, he narrated the methods of measuring the cost of capital. It is aimed to enable learners to distinguish between cheaper and costly sources of finance. In Chapter 7, he narrated the methodology of measuring financial and operating leverage. In Chapters 8 and 9, he presented Capital Structure Theories and Dividend Theories, which are written in a very simple and straightforward language. This is an additional merit of this book.

Part III consists of two large chapters: Chapter 10 and Chapter 11. In Chapter 10, the author discussed the methods and principles of investing in long-term assets. In Chapter 11, he narrated the rules of investing in current assets, which is alternatively termed working capital management. The author presented the last Chapter in greater detail in six different sections. These sections narrate the forecasting and financing of working capital. Subsequently, he elaborated on the management of inventory, receivables, cash, etc. This part, along with cash management, is rich and attractive. Besides presenting the cash management models, the author prescribed the practical guidelines for managing cash at the firm level. This is highly important.

Part IV consists of Management Accounting methods and tools, such as the Fund Flow Statement, the Cash Flow Statement, and other methods of Financial Statement Analysis.

A special attraction of this part is corporate sickness and the application of Altman's Z score for detecting corporate sickness. The author has used practical illustrations to guide learners in understanding the importance of the analysis of financial statements, especially in assessing corporate success and sickness.

Part V consists of two chapters, Chapter 15 and Chapter 16, essential for planning and decision-making. In Chapter 15, he elaborated on the methods of accounting control, such as budgetary control and standard costing. In Chapter 16, he demonstrated how management can use cost information in various types of decision-making, such as 'make or buy', produce or shut down, etc.

In Part VI, the author presented a handful of contemporary topics such as risk management, mergers and acquisitions, corporate governance, and international finance. In Chapter 17, to cover risk management, he discussed several topics, such as portfolio management, financial derivatives and enterprise risk management lucidly.

Business Combination, Chapter 18, is very nicely written, encompassing merger theories, appraisal methods, deal structuring, and final consummation. Case studies in this Chapter are highly useful and add a practical sense of learning.

'Corporate Governance', presented in Chapter 19, is a special feature that most authors could not contemplate including in their books. The9th Edition of this book incorporates some contemporary developments and reviews the effect of the Companies Act. 2013, provisions on corporate governance.

It is amazing that Professor Banerjee briefly presented the Essentials of International Financial Management in Chapter 20. Here, he presented highly intricate and complex matters lucidly, without compromising the objective of the course.

It is a time-tested textbook that learners of various universities have been using for more than forty years. It made a long journey, undergoing nine subsequent editions. The 9th edition has made it more comprehensive and richer in terms of new content and cases. Postgraduate students of commerce (M.Com.) and management (MBA with finance specialisation) may find the book highly useful. A simple presentation may attract undergraduate students of Commerce and Management as well as students of professional courses, such as CA and ICWA.

Prof. Dipen Roy, Professor of Commerce, University of North Bengal, dipenroy@nbu.ac.in