

Course Code: 510139

Course Title: Principles of Finance

1. **Introduction:** Definition of Finance- Functions of Finance- Goal of a firm- Profit Maximization vs. Value Creation- Management vs. Shareholders. Purpose of financial market- Money and capital market- Primary and Secondary market- Financial intermediaries and brokers. **[Theory]**
2. **Time value of Money:** Simple and compound interest- Future value (FV_n) and Present value (PV₀) – Discount rate- Annuities, Ordinary Annuity and Annuity Due, Compounding more than once a year, Effective Interest Rate. **[T+M]**
3. **Risk and Return:** Defining risk and return- Probability distribution to measure risk- Attributes towards risk- Diversification- Capital – Asset Pricing Model (CAPM) – Efficient financial market. **[T+M]**
4. **Capital Budgeting:** Capital budgeting and its process- Generating investment- Project Proposals Estimating project after tax incremental operating cash flow- Sunk cost and opportunity cost Alternative methods for evaluation and selection of project- Payback period (PBP)- Internal Rate of Return (IRR) under interpolation- Net Present value (NPV) – Profitability Index (PI). **[T+M]**
5. **Cost of Capital:** Value creation- Cost of debt- Preferred stock and equity – CAPM approach, Beta- Risk free rate & Market Return- WACC. **[T+M]**
6. **Short Term Financing:** COD-CBD- Credit with or without Discount- Seasonal dating under spontaneous source- Trade acceptance – Commercial paper- Factoring – Bank loan under negotiated source. **[T+M]**
7. **Mid Term Financing:** Term loan and its major sources- Chattel mortgage, conditional sale Lease and its different ways of classifications- Traditional lease- Sale and lease back system Leveraged lease. **[T+M]**
8. **Valuation of Long Term Securities:** Book Value vs. Market Value- Bond, Face value, Coupon rate, bond with finite maturity- Semi-annual compounding of interest- Preferred stock, and Common stock valuation- Constant growth, yield to maturity (YTM) on bonds. **[T+M]**
9. **Capital Structure and Theories:** Capital Structure, Optimum Capital Structure, EPS Calculation, Indifference Point, NI Approach, NY Approach, MM Approach. **[T+M]**

Recommended Books:

1. Horne, James C. Van & Wachowicz, (2008). Fundamentals of Financial Management, 13th Edition, Printic Hall
2. Gitman, J. Lawrence, (2011).Principles of Managerial Finance, 13th Edition, Prentice Hall.