

FIN 201: Business Finance

Credit Hours: 3
Lecture Hours: 48

Course Objective:

The basic objective of this course is to impart basic knowledge and required skills of business finance to students to understand the nature and functions of finance and to professionally use the knowledge to analyze financial issues and take appropriate financial decisions and actions thereto.

Course Description:

The course deals with nature of finance functions, financial statement and cash flow analysis, time value of money, risk and return, bond and stock valuation, capital budgeting analysis, and working capital management.

Course Details:

Unit 1: Introduction:

CH 3

Nature of business finance and role of a financial manager; Goals of the firm; Finance functions; The agency problem; Financial markets and the firm.

Unit 2: Financial Statements, Taxes, Cash Flow and Analysis:

CH 5

Nature of financial statements; The balance sheet; The income statement; Cash flow; Common size statements; Ratio analysis; The Du Pont identity; Using financial statement information

Unit 3: The Time Value of Money:

CH 6

Concept of the time value of money; Future value and compounding – single and multiple periods; Present value and discounting – single and multiple periods; Present value vs. future value – multiple cash flows; Finding number of periods; Loan amortization

Unit 4: Risk and Return:

CH 7

Nature of risk and return; Expected returns and variances; portfolio analysis; Risk – systematic and unsystematic; Diversification and portfolio risk; Systematic risk and beta; The security market line; The SML and the cost of capital.

Unit 5: Bond Valuation and Interest Rates:

CH 5

Bonds and bonds valuation; Bond ratings; Types of bonds; Bond markets; Inflation and interest rates; Determinants of bond yields.

Unit 6: Stock Valuation:

CH 7

Features of common and preferred stocks; Common stock valuation – zero growth, constant growth, nonconstant growth and two stage growth; The stock markets – dealers and brokers, organization of stock exchange

Unit 7: Capital Budgeting Analysis:**CH 8**

Nature of capital expenditures; Significance of capital budgeting; Techniques of capital budgeting and decision rule – payback rule, average accounting return, internal rate of return and profitability analysis; Estimates of project cash flows; Role of depreciation; Evaluating NPV estimates; Replacement problems.

Unit 8: Working Capital Management:**CH 7**

Nature and objectives of working capital management; Cash management – objectives of cash management and cash budget; Receivables management – credit policy, credit period, cash discount and analyzing credit policy; Inventory management – nature of inventory, objectives of inventory management, economic order quantity and quantity discounts.

Basic Textbook:

Stephen A. Ross, Randolph W. Westerfield and Bradford D. Jordan. *Fundamentals of Corporate Finance*. New Delhi: Tata McGraw Hill Education Pvt. Ltd.

Reference Books:

James C. Van Horne and John M. Wachowicz, Jr. *Fundamentals of Financial Management*. New Delhi: Prentice-Hall Limited.

Eugene F. Brigham and Joel F. Houston. *Fundamentals of Financial Management*. Singapore: Thomson, South-Western.