

Course Code: 510139	Marks: 100	3 Credits	Class Hours: 45
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.**ime value of Money:** Simple and compound interest- Future value (FVn) and Present value (PVo) – Discount rate- Annuities, Ordinary Annuity and Annuity Due, Compounding more than once a year, Effective Interest Rate.
2. **Risk and Return:** Defining risk and return- Probability distribution to measure risk- Attributes towards risk- Diversification- Capital – asset pricing model (CAPM) – Efficient financial market.
3. **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).
4. **Cost of Capital:** Value creation- Cost of debt- Preferred stock and equity – CAPM approach, Beta- Risk free rate &Market Return- WACC.
5. **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.
6. **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.
7. **Valuation of Long Term Securities:** Book Value vs. Market Value- Bond, Face value, Coupon rate, bond with finite maturity- Sem-annual compounding of interest- Preferred stock, and Common stock valuation- Constant growth, yield to maturity (YTM) on bonds.
8. **Capital Structure and Theories:** Capital Structure, Optimum Capital Structure, EPS Calculation, Indifference Point, NI Approach, NY Approach, MM Approach.

Recommended Books:

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