



## **BBA 12043: Introductory Finance**

**Level: 1000**

**Number of Credits : 03**

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### **Course Description**

Finance is a branch of economics and concerned with optimizing the use of firm's financial resources. This course develops conceptual and analytical skills by providing theoretical and practical insights on fundamental concepts and techniques relating to finance.

### **Intended Learning Outcomes**

At the end of this course, the student will be able to;

- Explain fundamental concepts, models, and techniques relating to finance
- Discuss the effect of external environment on the success of financial decisions
- Apply theories, concepts, and techniques of finance for solving financing and investment problems

### **Teaching/Learning Methods**

Lectures, Group discussions, Workshops and Seminars

### **Methods of Assessment**

In-course Assessments	: 30%
End Semester Examination	: 70%

### **Course Contents**

- 1 Overview of Finance  
Scope of finance, financial manager's role, objective of firms, conflicts of interest
- 2 Time Value of Money  
Time preference of money, future value and compounding, present value and discounting
- 3 Cost of Capital and Valuation of Bonds and Shares  
Components of cost of capital, cost of equity capital and valuation of equity shares, cost of preference share capital and valuation of preference shares, cost of debt capital and valuation of debt capital, weighted average cost of capital and valuation of total capital
- 4 Financial and Capital Structure  
Financial vs. capital structure, relevance and irrelevance of capital structure, capital structure planning and policy, Capital structure theories: NI approach, NOI approach, TR approach and MM approach
- 5 Financial and Operating Leverage  
Measures of leverage, leverage and return, leverage and risk, point of indifference
- 6 Capital Budgeting  
Nature of investment decisions, capital budgeting process, types of investment decisions, investment evaluation criteria, payback period, ARR, NPV and IRR
- 7 Dividend Theory and Policy

Dividend relevance, dividend and risk, forms of dividends, stability of dividends, dividend theories

8 Working Capital Management

Determinants of working capital, working capital finance, operating cycle, receivable accounts management, inventory management, cash management, payable accounts management

9 Risk and Return

Risk and return on a single asset, fundamentals of investment and portfolio management

**Recommended Readings**

- 1 Brigham E. F., Ehrhardt, M.C. (2013). Financial Management: Theory & Practice, (14 ed.): South-Western College.
- 2 Pandey, I. M. (2015). Financial Management (11 ed.): New Delhi Vikas.