

Program	BS Business Education
Semester	4 th
Credit Hours	3
Pre-requisite	None
Course Title	BSBE 308 Financial Management
Introduction	The module aims at building competence in corporate finance further by extending the coverage in Business Finance module to include three more of the finance functions – financial planning and control, working capital management and financing sources. It continues to emphasize on strategic decision making techniques that best serve the interests of shareholders, which is to maximize the value of the company.
Learning Outcome	<p>INTENDED LEARNING OUTCOMES</p> <p>At the end on this course the student will be able to understand:</p> <ol style="list-style-type: none"> 1. Role of financial planning and control– financial forecasting and cash budgeting tools – in planning for the firm’s short term financial requirements 2. Working capital and its components, applications of different techniques that managers can use to manage various aspects of working capital – cash and liquidity, credit and receivables, inventories, etc. 3. Short term sources of financing 4. Long term financing –venture capital, equity, debentures etc 5. Different theories of capital structure, their predictions about optimal capital structure and the limitations of using debt in the firms’ capital structure
Course Content	<p>COURSE CONTENT</p> <p>Meaning and Scope of Financial Management.</p> <ul style="list-style-type: none"> • Finance and financial management • Scope of Financial management • Business organizations • Organization of the finance function • Finance management vs. other managerial functions <p>The Finance manager and the financial environment</p> <ul style="list-style-type: none"> • Financial markets • Financial institutions • The roles of the finance manager • Goals of the firm • Agency problems and their mitigation <p>Time Value of Money</p>

- Calculate the future value (FV) or present value (PV) of a single sum of money;
- Calculate the interest rate or time period for single-sum problems;
- Calculate the FV or PV of an annuity and an annuity due;
- Calculate the payments, interest rate, or time period for annuity and annuity-due problems.
- Calculate the value, cash flow, or interest rate in a perpetuity problem;
- Calculate the FV or PV of a series of uneven cash flows (i.e., compound or discount the Cash flows);
- Adapt all FV and PV calculations to other-than-annual compounding periods;
- Compute the solution for various time value of money problems.

Bond and Their Valuation

- Who Issues Bonds, Key Characteristics of Bonds
- Bond Valuation, Bond Yields
- Bonds with Semiannual Coupons
- Assessing the Riskiness of a Bond
- Default Risk, Bond Markets

Share and Their Valuation

- Legal Rights and Privileges of Common Stockholders
- Types of Ordinary Stock
- The Market for Ordinary Stock
- Ordinary Stock Valuation
- Share Market Equilibrium
- Actual Share Prices and Returns
- Preferred Shares

Risk and Return

- Stand Alone Risk
- The Trade Off between Risk and Return
- Risk in a Portfolio Context
- The Relationship between Risk and Rates of Return
- Physical Assets versus Securities
- Some Concerns about Beta and the CAMP
- Volatility Versus Risk

INVESTMENT APPRAISALS

- Types of investment projects
- Investment process
- Non-discounted appraisal techniques
- Discounted Cash flow techniques
- A comparison of the NPV and the IRR methods

Analysis of Cash Flows

- cash flows for analyzing business activities;
- elements of operating cash flows;
- elements of investing cash flows;

	<ul style="list-style-type: none"> • Describe the elements of financing cash flows; • Classify a particular item as an operating cash flow, an investing cash flow, or a Financing cash flow; • Compute, explain, and interpret a statement of cash flows, • using the direct method and the indirect method; • Compute free cash flow. <p>Analysis of Inventories</p> <ul style="list-style-type: none"> • compute ending inventory balances and cost of goods sold using the LIFO, FIFO, and average cost Explain the usefulness of inventory and cost-of-goods-sold <p>The Investment Setting</p> <ul style="list-style-type: none"> • holding-period return; • holding-period yield; • arithmetic mean return and the geometric mean return; • expected return; • variance and standard deviation of return; • coefficient of variation for an investment; • expected rate of return for a stock or a stock market series <p>The Cost of Capital</p> <ul style="list-style-type: none"> • cost of debt, • cost of preferred stock, • cost of retained earnings (three different methods), • cost of newly issued stock or external equity; • target (optimal) capital structure; • company’s weighted-average cost of capital. <p>The Basics of Capital Budgeting</p> <ul style="list-style-type: none"> • capital budgeting; • methods used to evaluate capital projects <p>Cash Flow Estimation and Other Topics in Capital Budgeting</p> <ul style="list-style-type: none"> • cash flows and accounting profits; • incremental cash flow, sunk cost, opportunity cost, externality, and cannibalization; • expansion project and a replacement project; • initial investment outlay, operating cash flow over a project’s life, and terminal-year cash flow <p>Risk Analysis and the Optimal Capital Budget</p> <ul style="list-style-type: none"> • types of project risk: stand-alone, corporate, and market; • sensitivity analysis, scenario analysis, and • Monte Carlo simulation as risk analysis techniques; • security market line is used in the capital budgeting process; • pure play and accounting beta methods for estimating individual project betas. <p>Capital Structure</p> <ul style="list-style-type: none"> • target capital structure and optimal capital structure; • business risk and financial risk <p>Financial forecasting</p>
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	<ul style="list-style-type: none"> • Keeping Track of forecasts • Sales Forecast • Financial Statement Forecasting: Constant Ratio Method • The AFN Formula • Forecasting Financial Requirements When the Balance Sheet Ratios Are Subject to Change • Other Techniques for Forecasting Financial Statements • Computerized Financial Planning Models <p>Managing Current Assets</p> <ul style="list-style-type: none"> • Working Capital Terminology • Alternative Current Asset Investment Policies • The Concept of Zero Working Capital • Cash Management • The Cash Budget • Cash Management Techniques • Marketable Securities • Inventory costs • Inventory Control Systems • Receivables Management • Credit Policy • Setting the Credit Period and Standards • Setting the Collection Policy <p>Financing Current Assets</p> <ul style="list-style-type: none"> • Sound Working Capital Requires Appropriate Financing • Alternative Current Asset Financing Policies • Advantages and Disadvantages of Short-Term Financing • Accruals • Account Payable (Trade Credit) • Short-Term Bank Loans • The Cost of Bank Loans • Choosing a Bank • Commercial Paper • Use in short-Term Financing
References	<p>Ross, S. A., Westerfield, R. W. & Jordan, B. D. (2006) <i>Fundamentals of corporate finance</i>. New York: McGraw Hill</p> <p>Fabozzi, F. J. and P. P. Drake (2009). <i>Finance: Capital Markets, Financial Management, and Investment Management</i>. Wiley.</p> <p>Eugene F. Brigham: <i>Fundamentals of Financial Management</i></p> <p>Jones, <i>Financial Management</i></p> <p>White, Sondhi and Fried, <i>Analysis of Financial Statements</i></p>

Teaching/ Learning Strategies	Lecture Multimedia presentations Cooperative Learning Non creditor workshops and seminars. Active Learning Summaries and reflection of the lecture Complete course assessment includes all the content in practical form and submit portfolio before final assessment												
Evaluation Criteria	<table border="0"> <tr> <td colspan="2">Course Evaluation</td> </tr> <tr> <td>Assignments</td> <td>20</td> </tr> <tr> <td>Mid Semester Test</td> <td>25</td> </tr> <tr> <td>Final Project</td> <td>15</td> </tr> <tr> <td>Final Test</td> <td>40</td> </tr> <tr> <td>Total</td> <td>100</td> </tr> </table>	Course Evaluation		Assignments	20	Mid Semester Test	25	Final Project	15	Final Test	40	Total	100
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