Program: BTHM

Department of Tourism and Hospitality Management

Faculty of Business and Economics

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| Trimester | Summer’20 |
| Course Title | Principles of Finance |
| Course Code | FIN 201 |
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**Course Introduction**

This course provides an introductory survey of the field of finance. It examines the agents, instruments, and institutions that make up the financial system of the modern economy, such as bonds, the stock market, derivatives, and the money market. Along the way, standard concepts and tools of financial analysis are introduced: present discounted value, option value, and the efficient market hypothesis. Recent developments in the field—in particular, the application of psychology to financial markets (called behavioral finance)—are also discussed. The course is designed to equip students with the tools they need to make their own financial decisions with greater skill and confidence. Specifically, we see how insights from academic finance can inform and improve students' own investing decisions.

**Course Objectives:**

At the completion of this course, students will be able to:

* explain the objectives of the financial manager and how the organizational structure of a corporation affects financial decisions;
* explain the concept of the time value of money, how the present value calculation is related to the future value calculation, and how those are used in the valuation of financial instruments and applied to elements of stock and bond valuation;
* explain the rules and methods in capital budgeting when making financial decisions;
* explain the use of the CAPM model for estimating valuations of a company's rate of return;
* understand the relationship between investment risk and reward in finance and the application of that to financial principles;
* describe the principles and tools of working capital management and be able to classify long-term and short-term capital;
* distinguish between debt and equity instruments, their associated uses and characteristics and their impact on a firm's capital structure, the relevant details of their rate, ownership, and repayment structures, and their unique risks and relationships to market and economic events
* understand the considerations in making capital investment decisions; and
* interpret, prepare, and distinguish between the types of financial statements and their uses.

**Course Materials and Readings:**

Text Book. Principles of Managerial Finance- Lawrence J. Gitman. (12th Edition)

Reference Books:

1. Essentials of Managerial Finance - Basely Brigham (12th Edition).

2. Financial Management - Professor M. Shahjahan Mina, (5th Edition)

3. Financial Management- C.P. Jones (10th Edition)

4. Fundamentals of Managerial Finance - J. C. Van Horne

**Lecture Schedules**

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| Chapter | Chapter Name | Content |
| Chapter 01 | The Role and Environment of Managerial Finance | Concept & Major Areas and Opportunities in Finance, The Managerial Finance Function, Activities of the Financial Manager, Goals of a firm, Financial Institutions & Markets, Agency Problem. |
| Chapter 02 | Time Value of money | Concepts, Importance, Compounding, Future value & present value of single cash flow, Future value & present value of Multiple cash flow, Annuity, Discounting, Amortization Schedule. |
| Chapter 03 | Risk & Return by Applying the CAPM Model | What is return?What is the risk-free rate?How does the Capital Asset Pricing Model help to compute return? What is expected return?What does CAPM calculate? What is the expected rate of return?What is the required rate of return?What is the criteria to determine if a financial investment should be made? What is the difference between systematic and unsystematic risk?What is beta and what does it measure?What is expected return?What is the Capital Asset Pricing Model?How does CAPM connect the concepts of risk and return?What is risk?What does it mean to be risk averse?What does the financial manager consider when balancing risk with reward?What is the standard deviation?Why is the standard deviation important in finance?  |
| Mid-Term Examination |
| Chapter 04 | Corporate Capital Structure, Cost of Capital, and Taxes | From where do firms get money to operate?What is a stock?What is a bond?How do financial markets allocate resources to firms? What is capital?What are the major sources of a firm's capital?What is market value?What is book value?What are the pros and cons of each valuation method? What does the term "capital structure" mean?What is the Modigliani- Miller theorem?What is the Weighted Average Cost of Capital? |
| Chapter 05 | Securities Valuation  | Various Bond ValuationVarious preferred Stock ValuationVarious Common Stock Valuation |
| Chapter 06 | Financial Statements and Analysis | What are the tools one can use to analyze a company's performance?What would a firm use to plan operations for the future?How can firms use historical performance to predict future performance?How do investors value a company?How do pro forma financial statements differ from standard financial statements? How are financial statements used to analyze a firm's operations and performance?How do firms compare their performance across time and with their peers? Different types of financial reports of a company, Evaluating the performance of a company by Financial Ratio  |
| Chapter 07 | Capital Budgeting Techniques | How do firms use money from their capital budgets to invest?What is a "project" to a firm?How do firm's decide in which projects to invest?How do we compare the NPV of only 2 projects?What is depreciation?How does one record the depreciation of assets?Which financial statements contain depreciation?What are the components of the NPV formula?How can the NPV formula be modified for changes in cash flows over time? |
| Final Examination |