



Chandaria
School of
Business

COURSE: FIN 3010 Principles of Finance

CREDIT: 3 UNITS

1.0 COURSE DESCRIPTION

The application of financial principles to problems involving the acquisition and management of funds by private and public organizations.

Prerequisite: ACT 2010 AND BUS 1010

Purpose of the course

To equip learners with skills and knowledge of the application of financial principles to problems involving identification of both the needs and sources of funds, the timing, acquisition, allocation and control of usage of funds by organizations with emphasis on business enterprises.

2.0 LEARNING OUTCOMES

2.1 Link to the University Learning Outcomes

USIU mission outcomes include higher order thinking, literacy, global understanding and multi-cultural perspective, preparedness for career, leadership and ethics and community service. This course ensures that learners acquire critical thinking skills, appreciate the financial nature of businesses and prepare the learners to have basic understanding and application of the financial principles.

2.2 Link to the Chandaria Business School Outcomes

The Chandaria Business School mission outcomes are linked to the university mission outcomes and include global orientation, multidisciplinary, problem solving, team player, effective communication, preparedness for career and transformational leadership. FIN 3010 is designed to contribute to achievement of three major mission outcomes including global orientation, problem solving and career preparedness.

3.0 COURSE LEARNING OUTCOMES

At the end of this course, the students should be able to

1. Understand the role and function of finance in organization
2. Evaluate and assess sources of funds, allocation of funds and control of funds within a firm
3. Compute time value of money and its application in bond and share valuation
4. Describe concept of risk and return in finance
5. Apply capital budgeting techniques in investment project appraisal
6. Understand effective and efficient management of working capital
7. Apply techniques of forecasting , planning and control in business management

4.0 COURSE CONTENT

WEEK 1 – NATURE AND SCOPE OF FINANCE

Learning outcomes:

At the end of this session, students should be able to:

- (i) Explain the role and function of finance in an organization
- (ii) Explain the functions of the finance manager
- (iii) Explain the goals of the firm
- (iv) Discuss and explain the agency problem
- (v) Discuss ways of minimizing the agency problem

Discussion Topics

- ❖ Functions of the finance manager
- ❖ Objectives of the firm
- ❖ The agency relationship
- ❖ Agency problems and mechanisms to resolve the problems

Class Activity

Read the whole of Chapter 1- Course Text

WEEK 2- SOURCES OF FUNDS FOR BUSINESS ORGANIZATION

Learning outcomes:

At the end of this session, students should be able to:

- i Discuss the short –term sources of funds
- i Discuss the medium –term sources of funds
- ii Discuss the long –term sources of funds
- iii Explain the different markets for funds

Discussion Topics

- ❖ Sources of funds
 - Short- term
 - Medium term funds
 - Long-term funds
- ❖ The market for funds

Class Activity

Read the whole of Chapter 2- Course Text.

WEEK 3 –TIME VALUE OF MONEY

Learning Outcomes:

At the end of this session, students should be able to:

- i Explain the importance of the time value of money
- ii Define and explain the future values and compounding
- iii Define and explain the present values and discounting
- iv Explain the difference between future values and present values
- v Define and discuss the different annuities
- vi Explain the mixed cash flows

Discussion Topics

- ❖ Importance of time value of money
- ❖ Future values (compounding)
- ❖ Present values (discounting)
- ❖ Annuities
 - Ordinary annuities
 - Annuities due
- ❖ Mixed cash flows

Class Activities

Read the whole of Chapter 3- Course Text

1st Assignment in week 3 – To be submitted in week 4

WEEK 4 –VALUATION OF BONDS AND STOCKS

Learning outcomes:

At the end of this session, students should be able to:

- i Explain and discuss the meaning of bonds
- ii Value Bonds
- iii Explain and discuss the meaning of stocks
- iv Value different types of stocks
- v Explain the similarities and differences between bonds and stocks

Discussion Topics

- ❖ Meaning of Bonds
- ❖ Valuation of bonds
- ❖ Meaning of stocks
 - Types of stocks
 - Valuation of stocks
- ❖ Difference between bonds and stocks

Class Activity

Read the whole of Chapter 5- Course Text.

WEEK 5-6 - CAPITAL BUDGETING

Learning outcomes:

At the end of this session, students should be able to:

- i Appreciate the importance of capital budgeting in an organization
- ii Explain the steps used in capital budgeting
- iii Discuss the various capital budgeting techniques
- iv Work out calculations based on each of the capital budgeting techniques
- v Explain the benefits and limitations of the capital budgeting techniques

Discussion Topics

- ❖ Meaning and importance of capital budgeting
- ❖ Steps used in capital budgeting
- ❖ Techniques in capital budgeting
 - Traditional (conventional) budgeting techniques
 - PBP
 - ARR
 - Discounted Cash Flow budgeting techniques
 - NPV
 - IRR
 - PI
- ❖ Benefits and limitations of the budgeting techniques

Class activities

Read the whole of Chapter 6- Course Text.

CAT - Week 5

WEEK 7 - MID-SEMESTER EXAMINATION

One day – do the exam; one day - normal class

WEEK 8 – RISK MEASUREMENT

Learning outcomes:

At the end of this session, students should be able to:

- i Discuss the meaning of risk and return
- ii Explain the risk-return trade-off
- iii Explain and calculate risk and return of individual financial assets
- iv Explain and calculate risk and return of a portfolio
- v Explain and calculate the capital asset pricing model

Discussion Topics

- ❖ Meaning of risk

- ❖ Meaning of return
- ❖ Trade-off between risk and return
- ❖ Risk and return measurement
- ❖ Portfolio theory and the components of risk
- ❖ Capital Asset Pricing Model (CAPM).

Class activities

Read the whole of Chapter 4- Course Text.

WEEK 9- WORKING CAPITAL MANAGEMENT

Learning outcomes:

At the end of this session, students should be able to:

- i Define working capital
- ii Appreciate the importance of working capital
- iii Explain the components of working capital

Discussion Topics

- ❖ Definition of working Capital
- ❖ Components of working capital (Balance sheet presentation)
- ❖ Importance of working capital in a firm

Class activities

Read the whole of Chapter 13- Course Text.

2nd Assignment – week 9 – To be submitted in week 10

WEEK 10- THE MANAGEMENT OF CASH

Learning outcomes:

At the end of this session, students should be able to:

- i Define cash and appreciate the importance of cash
- ii Explain the motives for holding cash
- iii Determine optimum cash balances using different models

Discussion Topics

- ❖ Need for cash management
- ❖ Motives for holding cash
- ❖ Determination of optimum cash balances
 - Cash management models
 - Baumol Model
 - Stochastic Model or Miller/Orr Model

Class activities

Read the whole of Chapter 14- Course Text.

WEEK 11- MANAGEMENT OF ACCOUNTS RECEIVABLE

Learning outcomes:

At the end of this session, students should be able to:

- i Appreciate the importance of the management of accounts receivable
- ii Explain the credit management

Discussion Topics

- ❖ Objectives of credit management
- ❖ Explain the 4C's of credit
- ❖ Effectiveness of proper credit management and collection policy

Class activities

Read whole of Chapter 14- Course Text.

WEEK 12- MANAGEMENT OF INVENTORY

Learning outcomes:

- i Appreciate the importance of management of inventory
- ii Explain the reasons for holding inventory
- iii Explain inventory levels and inventory costs
- iv Determine economic order quantity and inventory balances using models

Discussion Topics

- ❖ Reasons for holding inventory
- ❖ Inventory levels
- ❖ Inventory costs
- ❖ Economic Order Quantity and the Baumol model

Class activities

Read whole of Chapter 14- Course Text.

WEEK 13- FORECASTING, PLANNING AND CONTROL

Learning outcomes:

- i Explain the need for forecasting, planning and control
- ii Apply the percent of sales method to forecast additional funds needed
- iii Apply the AFN formula to forecast additional funds needed

Discussion Topics

- ❖ Need for financial forecasting, planning and control
- ❖ The per cent of sales method of forecasting
- ❖ Apply the forecast sales ratio to the balance sheet items to forecast additional funds needed
- ❖ Explain the additional funds needed (AFN) formulae and how it is applied

Class activities

Read Chapter 12- Course Text.

WEEK 14: FINAL EXAMINATION

TEACHING METHODOLOGY

A mixture of lectures and class discussions will be used. *Students are STRONGLY advised to read the relevant text materials before these are discussed in class to enhance their participation in class discussions.*

COURSE TEXT

Besley, Scott and Brigham, Eugene F. *Essentials of Managerial Finance*. 13th Edition (Thomson, South-Western, 2005)

OTHER READING MATERIAL

Pandey, I.M. *Financial Management* 9th Edition (New Delhi, India: Vikas Publishing House PVT Ltd. 2005)

Other financial management books – Note that the library has a rich resource on this subject.

COURSE EVALUATION

Attendance and participation	10%
Assignments & Quizzes	30%
Term paper/Group Presentation	10%
Mid-Semester Exam	20%
Final Exam	<u>30%</u>
Total	<u>100%</u>

USIU GRADING SYSTEM

A	90 – 100	C	70 – 73
A-	87 - 89	C-	67 – 69
B+	84 - 86	D+	64 - 66
B	80 - 83	D	62 - 63
B-	77 - 79	D-	60 - 61
C+	74 - 76	F	0 – 59

CLASSROOM RULES:

- 1) Switch off/mute your mobile phone while the class is in session. Unruly disturbances/interruptions while class is in session will **NOT** be tolerated. Anyone found disturbing the class will be sent out.
- 2) The Classroom door will be locked 10 minutes after the class starts. Anyone coming after 10 minutes will be locked outside and marked absent.
- 3) All take home assignments are due one (1) week from date assigned. Late assignments will **NOT** be accepted.
- 4) Any Quiz will be done in the first 40 minutes then the class will continue.
- 5) Walking In and Out of class during lessons will **NOT** be allowed. Anyone observed doing this will be marked absent.
- 6) One absence translates into one mark reduction. Six absences translate into an F grade.
- 7) THE SCHOOL DOES NOT ALLOW MAKE-UP EXAMS.