

## **Business Finance**

B.Com (Annual) Part-II Paper-V      Maximum Marks: 100 (Pass Marks: 40)      Duration of Examination: 3 hrs

### **Course Objectives:**

To develop:

1. understanding of an integrated perspective for the inter-relation between financial markets, financial institutions and management
2. competence about the latest approaches/tools to critically examine and measure the performance of business concerns
3. skills to solve investment and financial problems in the light of specified goals of the firm

### **Course Contents:**

<b>Topic</b>	<b>Source</b>
<b>Finance as an area of study</b> <ul style="list-style-type: none"><li>○ What is finance</li><li>○ Major areas of finance and opportunities of finance</li><li>○ and its relationship with accounting</li><li>○ Functions of the finance manager</li><li>○ Goal of the firms</li></ul>	Ch 1, Book 3
<b>The business ,tax , and financial environments</b> <ul style="list-style-type: none"><li>○ The business environment</li><li>○ The tax environment</li><li>○ The financial environment</li></ul>	Ch 2, Book 1
<b>The time value of money</b> <ul style="list-style-type: none"><li>○ The interest rate</li><li>○ Simple interest</li><li>○ Compound interest</li><li>○ Compounding more than one year</li><li>○ Amortizing a loan</li></ul>	Ch 3, Book 1
<b>The valuation of long term securities</b> <ul style="list-style-type: none"><li>○ Distinction among valuation concepts</li><li>○ Bond valuation</li><li>○ Preferred stocks valuation</li><li>○ Common stock valuation</li><li>○ Rates of return (or yield)</li></ul>	Ch 4, Book 1
<b>Risk and return</b> <ul style="list-style-type: none"><li>○ Defining risk and return</li><li>○ Attitudes towards risk</li><li>○ The capital asset pricing model</li></ul>	Ch 5, Book 1

<b>Funds Analysis, Cash flow analysis</b> Flow of funds (sources and uses) statements <ul style="list-style-type: none"> <li>○ Accounting statement of cash flows</li> <li>○ Cash flow forecasting</li> <li>○ Range of cash-flow estimates</li> </ul>	Ch 7, Book 1
<b>Overview of working capital</b> <ul style="list-style-type: none"> <li>○ Introduction</li> <li>○ Working capital issues</li> <li>○ Financing current assets: short –term and long-term mix</li> </ul>	Ch 8, Book 1
<b>Short term financing</b> <ul style="list-style-type: none"> <li>○ Spontaneous financing</li> <li>○ Negotiated financing</li> <li>○ Factoring accounts receivable</li> <li>○ Composition of short term financing</li> </ul>	Ch 11, Book 1
<b>Required Return and Cost of Capital</b> <ul style="list-style-type: none"> <li>○ Creation of value</li> <li>○ Overall cost of capital of the firm</li> <li>○ CAPM</li> </ul>	Ch 15, Book 1
<b>Introduction to financial analysis</b> <ul style="list-style-type: none"> <li>● Financial statements</li> <li>● Balance sheet ratios</li> <li>● Income statement ratios</li> </ul>	Ch 6, Book 1

**Recommended Text:**

1. James C. Van Horne John M.Wachowicz, Jr. Fundamentals of financial management. Prentice Hall International Inc 10<sup>th</sup> Ed.

**Further Readings**

2. Eugen F, Brigham, Joel F. Houston, Fundamentals of Financial Management(Latest Edition), Harcourt Asia PTE LTD,
3. Gitman J. Lawrence, Principles of Managerial Finance (Latest Edition), Harper Collins College Publishers.