



SECOND SEMESTER 2023-24

Course Handout Part II

09-01-2024

In addition to part -I (General Handout for all courses appended to the time table) this portion gives further specific details regarding the course.

Course No. : ECON F212

Course Title : FUNDAMENTALS OF FINANCE & ACCOUNTING

Instructor-in-charge : Thota Nagaraju (nagaraju@hyderabad.bits-pilani.ac.in)

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1. Scope and Objective:

This course is an introduction to the reporting system used by businesses to convey financial information to users external to the enterprise and the basics of financial markets and financial management. In the first part of the course, primary emphasis will be on understanding the financial reports that are the end products of the accounting system- what they tell us about a business enterprise. The accounting principles, conventions and concepts underlying financial reporting will be examined with the objective of developing ability to interpret and analyze financial statements. The second part will emphasize the financial markets; financial market reforms; primary and secondary markets; sources of investment information; portfolio selection, preliminary concepts of financial management etc.

Learning Outcomes

No	At the end of the course, the student will be able to;
L01	Interpret, identify, classify elements of the financial accounting transactions and summarise it
L02	Construct classified Balance Sheet, Profit & Loss Account and Cash Flow Statements
L03	Measure, analyze, and evaluate the financial statements and business performance of a firm
L04	Understand behavior of cost and relationship between cost-volume-profits (CVP)

Course Objectives

No	
C01	Demystify the components and elements of the financial statements.
C02	Learn to prepare financial statements from information and interpret transactions.
C03	Explain the tools and techniques of financial statement analysis.
C04	Examine the cost behavior and use of CVP for managerial decision making.
C05	Use capital budgeting techniques to analyse and make capital budgeting decisions.

2. Text Book

T1	Financial Accounting – A Managerial Perspective, R. Narayanaswamy, PHI, 5 th edition, 2014.
T2	Accounting Text & Cases, Robert Anthony, David Hawkins, Kenneth Merchant, 13 th edition, 2013 (For select cases & Management Accounting)
T3	Financial Markets and Institutions, Anthony Saunders and Marcia Cornett, McGraw Hill, 5th Edition

**If you are not able to find a copy of Text Book, feel free to get any one of the three reference books mentioned below.*

Reference Book(s)

R1	Introduction to financial accounting Horngren, C. T., Sundem, G. L, Elliott, John A and Philbrick, Donna R (. Introduction to financial accounting. 11th Edition, Prentice Hall.
R2	Financial Accounting: A Managerial Emphasis, Ashok Banerjee, Excel Books; 3rd Revised edition, 2009
R3	P. C. Tulsian, Financial Accounting, Tata McGraw Hill, latest edition
R4	Bhole, L.M.and Jitendra Mahakud, “Financial Institutions & Markets: Structure, Growth and Innovations” Tata McGraw Hill, 5th edition, 2009

3 Course Plan: Study Modules and Learning Outcomes:

Module No	Module Title	Objectives	Learning outcome (You should be able to answer these questions after the module)	No of Sessions
1: Preparation of Financial Statements	Introduction to Accounting	To understand importance of financial and management accounting in business as a source of value creation	Is accounting mere a historic record of transactions or can it create value for business?	2
	Generally Accepted Accounting Principles (GAAP)	To understand underlying principles of financial accounting	What is the philosophy behind record keeping? Are there any guiding principles for transaction recording?	1
	Journal	To learn the process of recording business transactions in first book of entry called ‘Journal’	How do they record every small business transaction? Are there any rules? Is there a scientific method for recording transactions?	3
	Ledger	To learn to classify transactions recorded in Journal using ‘ledger posting’ process	The transactions can differ in type and nature. How do they account for that?	2
	Trial balance	To learn to prepare ‘trial balance statement’ (using records from	It must be difficult to go through thousands of transaction records. Can one just have a summary of	2

		ledger) to get a summarize state of business transactions	transactions like a bird's eye view?	
	Final Accounts	To learn the process of preparation of 'Profit and Loss Account' and 'Balance Sheet' using summary of accounts provided by trial balance	What is the result of all transactions that took place during a year - profit or loss? How much does the business own and how much does it owe?	4
	Cash flows statement	To learn the process of preparation of 'Cash Flow Statement' using data supplied by 'Income Statement' and 'Balance Sheet'	Are you saying profit earned does not equal cash earned? How are these two different? Does that mean there transactions that do not involve cash?	3

2. Financial Statements Analysis and Interpretation	Financial statement Analysis and Interpretations	To learn to examine financial health of business by converting data exhibited in 'Income Statement' and 'Balance Sheet' into useful information	How efficiently is business being run? Is the financial position of business healthy or critical? Is it headed for insolvency? What areas need immediate attention?	4
	Assessing Quality of Financial Reporting	To learn to identify accounting red flags wherein there is scope of noise and bias due to rigidity in accounting rules	How to deal with accounting noise and biases while analysing final health of an organization (How to undo accounting distortions)?	1
3. Cost Concepts and Analysis	Cost Accounting – Measuring and Analysing cost of products and Services	To learn different cost concepts and objectives of cost accounting, analyse cost behaviour, identify various cost drivers and learn to prepare cost sheet.	Taking decisions on cost minimization versus revenue maximization, what is the cost of products and services? How to take make or buy decisions,	1
	Cost-volume-profit analysis	To learn to determine optimal scale of business operations for different profit levels conditional to cost structure of a firm	What is the minimum scale of business that needs to be achieved before it starts making profit? What scale needs to be achieved to earn a target profit level?	1
	Marginal / Differential Costing	To learn to make decisions from alternative choices using management accounting information.	How to decide when faced with short-run alternative choices? What is marginal / differential cost?	1
4	Introduction to Financial System	To learn and examine the structure of Indian Financial System	Know the concepts and structure of financial system – understand its components, functions and effects.	1

5	Determinants of Interest rates and Interest rates and Security Valuation	To learn the determinants of Interest rates and its impact on the security valuation	Know the demand and supply factors of interest rate, time value of money, PV, FV and annuities and interest rate impact on bonds and equity prices.	3
6	Securities Markets	Money Markets	To learn structure of short-term money markets, instruments and participants.	2
		Bond Markets	To learn structure of different bonds and participants of bond markets.	2
		Mortgage markets	To learn structure of mortgage, instruments and participants.	1
		Stock Markets	To learn long-term securities, markets structure, instruments and participants and basics of Risk & Return	2
		Foreign Exchange Rates	To learn concepts and mechanisms of Forex Market, and exchange rate determination	2
		Derivatives securities markets	To understand the nature of derivative products such as forwards, futures, options and swaps.	2
7	Other Financial Institutions	To learn structure insurance, investment banks, mutual funds, hedge funds and pension funds	Understand effect of short-term money market on financial system.	2
			Total Sessions	42

4. Evaluation Scheme:

Component	Duration	Weightage 100%= 300 Marks	Date & Time	Nature of Component
Quizzes	10 minutes	15% = 45 Marks	Will be announced three days prior on CMS	CB
Group Assignment/Simulations (Experiential Learning)		20% =60 Marks	Second week of April 2024	OB
Mid Sem Test	90 Minutes	30% =90 Marks	15/03 - 4.00 - 5.30PM	CB
Comprehensive	180 Minutes	35% =105 Marks	17/05 AN	CB

****Note: No make-ups for the quizzes & Assignments.***

All quizzes & assignments will be counted for final grade calculation.

Chamber Consultation Hour: Wednesday & Thursday 4:00 PM to 5:00 PM.

Group Assignment/simulation details will be shared on CMS by third week of February 2024. Assignment / Simulation submission by the second week of April 2024 (Soft copy should be sent to nagaraju@hyderabad.bits-pilani.ac.in Post due date submissions will not be considered for evaluation and the entire group will be awarded zero marks in this component. Only 20 percent of the plagiarism is allowed and thereafter for every 10 percent of additional plagiarism, one mark (or ten points) will be deducted.

Academic Honesty and Integrity Policy: Academic honesty and integrity are to be maintained by all the students throughout the semester and no type of academic dishonesty is acceptable.

**Instructor in Charge
ECON F212
INSTRUCTOR-IN-
CHARGE**