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**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](mailto:nagaraju@hyderabad.bits-pilani.ac.in))

**: Dr. Sunny Kumar Singh** ([sunny.singh@hyderabad.bits-pilani.ac.in](mailto:sunny.singh@hyderabad.bits-pilani.ac.in))

# **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. |

1. **Text Book**

|  |  |
| --- | --- |
| T1 | Financial Accounting – A Managerial Perspective, R. Narayanaswamy, PHI, 5th edition, 2014. |
| T2 | Accounting Text & Cases, Robert Anthony, David Hawkins, Kenneth Merchant, 13th 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: | Introduction to | To understand | Is accounting mere a historic | 2 |
| Preparation | Accounting | importance of financial | record of transactions or can it |  |
| of Financial |  | and management | create value for business? |  |
| Statements |  | accounting in business |  |  |
|  |  | as a source of value |  |  |
|  |  | creation |  |  |
|  | Generally | To understand | What is the philosophy behind | 1 |
|  | Accepted | underlying principles of | record keeping? Are there any |  |
|  | Accounting | financial accounting | guiding principles for transaction |  |
|  | Principles |  | recording? |  |
|  | (GAAP) |  |  |  |
|  | Journal | To learn the process of | How do they record every small | 3 |
|  |  | recording business | business transaction? Are there |  |
|  |  | transactions in first book | any rules? Is there a scientific |  |
|  |  | of entry called ‘Journal’ | method for recording |  |
|  |  |  | transactions? |  |
|  | Ledger | To learn to classify | The transactions can differ in | 2 |
|  |  | transactions recorded in | type and nature. How do they |  |
|  |  | Journal using ‘ledger | account for that? |  |
|  |  | posting’ process |  |  |
|  | Trial balance | To learn to prepare ‘trial | It must be difficult to go through | 2 |
|  |  | balance statement’ | thousands of transaction records. |  |
|  |  | (using records from | Can one just have a summary of |  |
|  |  | ledger) to get a | transactions like a bird’s eye |  |
|  |  | summarize state of | view? |  |
|  |  | business transactions |  |  |
|  | Final Accounts | To learn the process of | What is the result of all | 4 |
|  |  | preparation of ‘Profit | transactions that took place |  |
|  |  | and Loss Account’ and | during a year - profit or loss? |  |
|  |  | ‘Balance Sheet’ using | How much does the business own |  |
|  |  | summary of accounts | and how much does it owe? |  |
|  |  | provided by trial balance |  |  |
|  | Cash flows | To learn the process of | Are you saying profit earned does | 3 |
|  | statement | preparation of ‘Cash | not equal cash earned? How are |  |
|  |  | Flow Statement’ using | these two different? Does that |  |
|  |  | data supplied by | mean there transactions that do |  |
|  |  | ‘Income Statement’ and | not involve cash? |  |
|  |  | ‘Balance Sheet’ |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 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 |

# **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](mailto: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**