LAIKIPIA UNIVERSITY COLLEGE

NAIVASHA CAMPUS

BCOM 230: BUSINESS FINANCE

Business Finance or Corporate Finance is concerned with how businesses work, in particular, how they allocate capital (traditionally, “the capital budgeting decision”) and how they obtain capital (“the financing decision”). Though managers play no independent role in the work of Miller and Modigliani, major contributions in finance since then have shown that managers maximize their own objectives, leading to agency conflicts. To understand the firm’s decisions, it is therefore necessary to understand the forces that lead managers to maximize the wealth of shareholders. The scope of business finance extends to include cost of capital, financial planning, asset valuation, risk-return measurements and tradeoffs, and evaluation of business performance.

**COURSE OBJECTIVES**

**At the end of the course, the student should be able to:**

1. **Define Finance and expound on its scope.**
2. **Apply the time value of money to financial decision making**
3. **Identify the various sources of business finance.**
4. **Draw a budget, and project cash flows.**
5. **Compute the risk and return of a project and evaluate a business using financial ratios.**

**COURSE CONTENTS**

* Definition and The scope of finance.
* Financial mathematics.
  + Time value of money;
    - Compound value of lump sum and annuity.
    - Present value of a lump sum and annuity.
    - Use of financial tables.
* Sources of business finance;
  + Short term and long term sources of funds.
* Financial planning and cash flow projectors.
* Concepts of risk and return.
* Asset valuation models.
* Cost of capital.
* Financial ratio analysis.
* Business performance in Kenya and the region.

**REFERENCES**

* Reilly - Brown, *Investment Analysis and Portfolio Management, 7th edition*, Addison Wesley, 2000.
* Mishkin, Frederic S.The *economics of money, banking, and financial markets* / Frederic S. Mishkin.—7th ed. p. cm. — (The Addison-Wesley series in economics)
* Bodie−Kane−Marcus: *Investments, Fifth Edition*, The McGraw−Hill Companies, 2001
* Brealey−Meyers: *Principles of Corporate Finance, Seventh Edition*, The McGraw−Hill Companies, 2003.
* Fabozzi- Peterson, *Financial management and analysis, 2nd edition*, John Wiley & Sons, Inc., Hoboken, New Jersey (2003).
* Mishkin, Frederic and Stanley G. Eakins, *Financial Markets & Institutions, 4th edition*, Addison Wesley, 2003.
* Other texts in Financial Economics, Investment management, corporate finance and financial management.

**CAT 1** will cover topic 1 through 4. This will be after the first FOUR topics are covered.

**CAT 2** will cover the remainder of the course outline. The date will be agreed upon in class.

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