## Pokhara University Faculty of Management Studies

Course Code: FIN 222 Full marks: 100

Course title: **Fundamentals of Financial Management** Pass marks: 45 Nature of the course: Theory + Practical Credit Hrs: 3

Year: Second, Total periods: 48 hours

Level: Bachelor Program: BCSIT

Semester: IV

## Course Description:

This course introduces students to the basic principles and practices of financial management in the context of information technology (IT) businesses. It covers essential topics such as concept of financial management, financial statements analysis, time value of money, risk and return, capital structure & financing decision, capital budgeting, and project on financial planning. The course emphasizes the application of financial concepts to IT industry scenarios.

## General Objectives:

The goal of this course is to inculcate in students a basic understanding of the ideas and principles of financial management. It addresses the efficient raising and application of financial resources in the corporate world. In order to help them make financial decisions, this course also provides students with the basic instruments and methods of financial management.

## Methods of Instructions:

**Lecture and Explanation, Brain storming, interactive presentations, reflection and discussion, Group discussion, Demonstrations and Examples, Hands-On Practice, Collaborative Learning, Problem-Solving and Case Studies.**

1. **Course Contents**

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| **Specific Objective** | **Unit 1:**  **Introduction to Financial Management (5 LH)** |
| * Define concept of financial management. * List the function of financial management. * Explain the goal of financial management. * Differentiate wealth maximization and profit maximization. * Describe the forms of business organization. * Discuss the agency problem & corporate governance * Describe the ethics in finance | * 1. Concept of financial management;   2. Finance within an organization;   3. Functions of financial management;   4. The financial goal: Wealth maximization and profit maximization;   5. Agency problem and corporate Governance.   6. Ethics in finance |

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|  | **Unit 2:**  **Financial Statement Analysis (10 LH)** |
| * List and view the financial statement of Nepalese Public limited company * Discuss the financial statement disclosed by Nepalese public limited company (Case type) * State the nature of ratio and discuss the need the financial ratio analysis. * Calculate and analyze the different types of ratio. | * 1. Financial statements: Balance sheet, Profit or loss statement, Cash flow statement.   2. Nature and need of financial ratio analysis   3. Types of financial ratios: Liquidity ratios, Asset management ratios, Debt management ratios, Profitability ratios, Market value ratios. |
|  | **Unit 3:**  **Time Value of Money (7 LH)** |
| * Recognize the concept of time value of money. * Visualize the nature of cash flow with time line. * Differentiate the ordinary annuity and annuity due. * Calculate the present and future value connecting with missing figure. * Discuss the different types of rate. * Prepare loan amortization table. * Contrast the application of time value of money. | * 1. Concept time value of money; Cash flow time line,   2. Nature of Cash flow, Ordinary annuity, Annuity due   3. Present value, future Value, present value annuity , future value annuity,   4. Nominal rate, Periodic rate, Effective rate   5. Preparation of Loan amortization Schedule   6. Application of time value of money |
|  | **Unit 4:**  **Fundamentals of Risk and Return (7 LH)** |
| * Summarize the concept of risk and return. * Calculate the return, standard deviation, coefficient of variation, covariance, correlation coefficient and Beta. * Discuss the portfolio risk and return. * Interpret the application of correlation coefficient while making the portfolio. * Visualize Security Market Line. * Describe the Capital Assets Pricing Model connecting with market return and individual   Beta. | * 1. Concept of Risk and Return   2. Expected rates of return, historical rates of return, Standard deviation, Coefficient of Variation,   3. Covariance, Correlation Coefficient, Beta, Systematic risk and unsystematic risk   4. Role of correlation coefficient on investment,   5. Portfolio Return, Portfolio Risk, Portfolio Beta   6. Concept of Capital Assets pricing Model (CAPM) (Only Theory)   7. Behavioral finance |

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|  | **Unit 5:**  **Capital Structure and Financing Decision (10 LH)** |
| * List the component of capital structure and financial structure. * Discuss the capital structure component * State the concept of cost of capital. * List and discuss determine the factors affecting capital structure decision. * Define Business Risk & Financial Risk. * Calculate the component of cost of capital and weighted average cost of capital. * Application of cost of capital and WACC connecting service industry. | * 1. Capital structure and financial structure,   2. Capital structure component; Common Stock, Preferred Stock, Debt Capital, Retained earning   3. Concept and use of cost of capital   4. Factors affecting capital structure decisions   5. Business risk and financial risk   6. Component cost of capital: Cost of debt, cost of preferred stock, cost of retained earnings, cost of common stocks,   7. Weighted Average Cost of capital. |
|  | **Unit 6:**  **Basics of Capital Budgeting Decisions (9 LH)** |
| * Discuss the concept of capital budgeting with significance. * State the capital budgeting process. * List the types of project brief discussion. * Discuss the classification of capital project. * Describe the Cash flow after tax. * Calculate the PBP. ARR, DPBP, NPV, PI, IRR * Evaluate/Choose the project via different evaluating technique from independent and mutually exclusive project. | * 1. Concepts and significance of capital budgeting,   2. Process of capital budgeting decisions,   3. Classification of capital projects,   4. Capital Budgeting technique: Payback Period, Discounted Payback Period, Accounting Rate of Return, Net Present Value, IRR, MIRR, Profitability Index,   5. Evaluating techniques. |
| **Laboratory work: (6 LH)** | |
| * Apply financial management concept * Financial forecasting and Decision making * Evaluation of capital budgeting project | **Final project on financial plan By using excel sheet**  **Or**  **Final project on capital budgeting By using excel sheet** |

1. **Evaluation System and Students’ Responsibilities**

**Evaluation System**

The internal evaluation of a student may consist of assignments, attendance, term-exams, lab reports and projects etc. The tabular presentation of the internal evaluation is as follows:

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| **Internal Evaluation** | **Weight** | **Marks** | **External Evaluation** | **Marks** |
| **Theory** |  | **30** | **Semester End** | **50** |
| Attendance & Class Participation | 10% |  |  |  |
| Assignments | 20% |  |  |  |
| Presentations/Quizzes | 10% |  |  |  |
| Internal Assessment | 60% |  |  |  |
| **Practical** |  | **20** |  |  |
| Lab Report/Project Report | 70% |  |  |  |
| Viva | 30% |  |  |  |
| **Total Internal** |  | **50** |  |  |
| **Full Marks: 50 + 50 = 100** | | | | |

## Students’ Responsibilities

Each student must secure at least 45% marks separately in internal assessment and practical evaluation with a minimum of 80% attendance in the class in order to appear in the Semester End Examination. Failing to get such score will be given NOT QUALIFIED (NQ) to appear the Semester-End Examinations. Students are advised to attend all the classes, formal exam, test, etc. and complete all the assignments within the specified time period. Students are required to complete all the requirements defined for the completion of the course.

## List of Practical

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| SN | Details list of practical (4 project @ 5=20) (60 % Project Report Preparation & 30 %  Presentation) |
| 1. | Calculate the different types of ratio from the quarterly financial report disclosed by public limited company of Nepal (project work report focused manufacturing company  like Shivam Cement/ Botlers Nepal/ Unilever Company/ Himalyan Distillery) |
| 2. | Prepare project work report regarding financial plan of locally ongoing small and medium scale business focusing IT industry i.e. Information Technology (IT) Business, otherwise from Hotel and Restaurant/ Hydropower company/ Hospital and Nursing  Home/ Real State Housing, ...) |
| 3. | Prepare project work report regarding capital budgeting project from locally ongoing small and medium size business focusing IT industry i.e. Information Technology (IT) Business, otherwise from Hotel and Restaurant/ Hydropower company/ Hospital and  Nursing Home/ Real State Housing, …) |
| **8. Prescribed Books and References** | |
| **Text Books:**   1. Brigham, E. F. & Houston, J. F. Fundamentals of Financial Management, New Delhi: Cengage Learning, Thomson South Western 2. Van Horne, J.C. & Wachowicz, J. R. Fundamental of financial management, New Delhi: Pearson Education Prentice Hall | |
| **References:** | |

1. Stephen A. Ross, Randolph W. Westerfield and Bradford D. Jordan. Fundamentals of Corporate Finance. New Delhi: Tata McGraw Hill Education Pvt. Ltd.
2. Gitman, L.J. Principles of financial management, New Delhi: Pearson Education, Prentice Hall
3. Pandey, I. M. Financial Management, New Delhi: Vikash Publishing House
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   2. Van Horne, J.C. & Wachowicz, J. R. Fundamental of financial management, New Delhi: Pearson Education Prentice Hall

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