



Course Outline: Principles of Finance

Course:

ESME 512: Principles of Finance

Credit:

3 Credit Hours

Pre-Requisite:

Financial Accounting

Objectives of the Course:

The core objective of this course is to develop the understanding of students about finance of firms and business companies. It also aims to equip students with necessary skill to undertake financial analysis of firms specially SMEs.

Course Outline:

1. Review and Analysis of Financial Statements.

Tools of Analysis of Financial Statements. Ratio Analysis: Liquidity, Activity, Debt, Profitability and Market Ratios. Using and Interpreting Ratios.

2. Cash Flow and Financial Planning.

Preparation of Cash Flow Statement. Analyzing the Cash Flows of a Firm. Financial Planning Process. Long Term Strategic Financial Plans. Short Term Operational Financial Plans. Cash Planning: Cash Budgets. Profit Planning: Pro Forma Statements.

3- Time Value of Money.

Compounding vs. Discounting. Future vs. Present Values. Perpetuity and Annuities. Mixed Streams of Cash Flows. Frequent and Continuous Compounding. Applications of Time Value of Money. Stock and Bond Valuation.

4- Capital Budgeting Cash Flows.

Relevant Cash Flows. Capital Budgeting Techniques: Payback Period. NPV and IRR



5- . Leverage

Break Even Analysis. Operating, Financial and Total Leverage.

6- Working Capital and Current Asset Management.

Net Working Capital Fundamentals. Cash conversion Cycle. Inventory Management.
Account Receivables Management. Management of Receipts and Disbursements.

Basic Text:

Principles of Managerial Finance by Lawrence J.Gitman. 10th Edition Pearson Education.

Additional Readings:

- Ross, SA, Thompson, S, Christensen, M, Westerfield, RW & Jordan, BD 2004, Fundamentals of corporate finance, 3rd edn., McGraw-Hill, Macquarie Park.
- Frino, A, Kelly, S, Comerton-Forde, C, Cusack, T & Wilson, K 2004, Introduction to corporate finance, 2nd edn., Pearson, Frenchs Forest.
- Peacock, R, Martin, P, Burrow, M, Petty, JM, Keown, AJ, Scott, DF, Martin, JD 2005, Financial management, 4th edn., Prentice Hall, Frenchs Forest.
- Bishop, S, Faff, R, Oliver, B & Twite, G 2004, Corporate finance, 5th edn., Pearson, Frenchs Forest.