

Course Title:	Financial Management I
Course Number:	ACFN 341
Credit Hours:	3
ETCTS Credits:	5

Course Description

This course, *Financial Management - Part I*, deals with the basic underlying concepts and techniques of financial management. The course addresses the issues that are encompassed in finance in general and those deemed to be of relative relevance to the purported students in particular. In the introductory part, the nature, overall realm, and dimension of financial management, and the whys and means of evaluation of financial performance are discussed.

In part two, the basic concepts and correlated issues are expounded. Such basic issues such as the time value of money, risk and return, and valuation of financial assets are covered. In the last part, part three, the nature, type, and technique of long-term investment decisions will be covered.

Course Objective

After successful completion of this course, the student will be literate in finance and could undertake intermediate-level project analysis and evaluation tasks.

Chapter 1- An Overview of Financial Management

- 1.1. The nature and scope of financial management
- 1.2. Financial Markets and Institutions
 - Financial institutions
 - Cash flows to and from the firm
 - Primary markets vs. Secondary markets
 - Money markets vs. Capital markets
- 1.3. Financial management decisions
- 1.4. Goal of the firm
 - Possible goals
 - The goal of the firm and financial management
- 1.5. Basic forms of business organizations
- 1.6. Multinational Financial Management
 - 1.6.1. Overview of Global Finance
 - 1.6.2. Multinational Companies & theories of international business
 - 1.6.3 International Business Methods & exposure to international risk

Chapter 2- IFRS-Based Financial Statement Analysis

- 2.1 Purposes of financial analysis
- 2.2 Tools for financial analysis
- 2.3 Ratio Analysis
 - Short term solvency or liquidity measures
 - Long-term solvency measures
 - Asset Management or turnover measures
 - Profitability Measures
 - Market Value Ratios (Measures)
- 2.4 Problems with financial statement analysis

Chapter 3- The time value of money

- 3.1 Why money has a time value?
- 3.2 Future Value of a single amount
- 3.3 Present value of a single amount
- 3.4 Future value of annuity
- 3.5 Present value of annuity
- 3.6 Special Case Annuities
 - 3.6.1 Perpetuities
 - 3.6.2 Deferred Annuity
- 3.7 Uneven Cash Flow Streams
- 3.8 More frequent compounding
 - Compounding for less than a year
 - Effective annual rate and the nominal rate

Chapter 4- Risk and Return

- 4.1 Understanding and Measuring Risk
 - Probability distributions
 - Measures of Central tendency
 - Measures of dispersion
- 4.2 Portfolios
 - Portfolio weights
 - Portfolio expected returns
 - Portfolio risk
- 4.3 Diversification and portfolio risk
 - The principle of diversification
 - Diversification and unsystematic risk
 - Diversification and systematic risk
 - Measuring systematic risk
 - Portfolio betas
- 4.4 Risk and the required rate of return
 - CAPM
 - The security market line

Chapter 5 :Cost of Capital

- 5.1 The meaning of cost capital
- 5.2 The components of the cost of capital
 - 5.2.1 The cost of debt and preferred stock
 - 5.2.2 The cost of common equity capital
 - 5.2.3 The cost of retained earnings and new common stock
- 5.3 The meaning and use of the weighted average cost of capital (WACC)
- 5.4 Adjusting cost of capital for project risk

Chapter 6 Capital Budgeting Decisions

- 6.1 The capital budgeting decision process
 - 6.1.1 Steps in the process ; Basic terminologies
- 6.2 Cash flows
 - 6.2.1 The rationale for the use of cash flows
 - 6.2.2. The cash flow after-tax (CFAT)

- 6.2.3 Types of cash flows; Cash flow worksheet
- 6.3 Capital budgeting techniques
 - 6.3.1 Non-Discounted and Discounted Cash Flow Techniques (for independent projects with or without capital rationing problems and mutually exclusive projects)
- 6.4 Methods for incorporating risk in to capital budgeting
 - 6.4.1 Risk adjusted discount rate
 - 6.4.2 Certainty Equivalents
 - 6.4.3 Sensitivity and Scenario analysis
- 6.5 International Capital Budgeting
 - 6.5.1 Subsidiary Vs Parent Perspective
 - 6.5.2 Capital Budgeting Approaches
 - 6.5.3 Factors to Consider in International Capital Budgeting

Text and References Books

Text Book:

Ross, S.A., Westerfield, R.W. and Jordan, B.D., Fundamentals of Corporate finance, 10th edition, McGraw-Hill/Irwin, USA, 2013.

Reference Books

1. Ross, S.A., Westerfield, R.W. and Jordan, B.D., *Fundamentals of Corporate Finance*, 2nd edition, Richard D. Irwin Inc., USA, 1993
2. Scott Besley and Brigham E. F., *Essentials of Managerial Finance*, 14th edition, Thomson South-Western, USA, 2008.
3. Brigham, E.F. and Houston, J.F., *Fundamentals of Financial Management*, 9th Edition, South-Western, USA, 2001.
4. Nevue, R.P., *Fundamentals of Managerial Finance*, 2nd edition, South-Western Publishing Co., Ohio, 1985
5. Gitman, L.J., *Principles of Managerial Finance*, 12th edition, Harper Collins, USA, 2009.

ASSESSMENT CRITERIA

Evaluation consists of graded homework, quizzes, final examination, discussions, and a group project.

Attendance & Participation	5%
Homework /Assignment	15%
Tests	30%
Final Exam	<u>50%</u>
Total	<u>100%</u>