

Title: Introduction to Finance-II**Code: MGMT 341****Credit Hours: 3****Year /Semester: II/IV****48 Hours**

Course Objectives:

This course aims to provide the students with basic understandings financial management. This course familiarize the students with short-term financing, to determine the intrinsic value of bond and stock, to Measure the risk and return of financial assets, to explain the concept of leverage and its impact on investment and to understand the concept of capital structure

Unit 1 Short-Term Financing**10 Hours**

Nature short-term financing, Advantages and disadvantages, Sources of short-term financing: accruals, accounts payable (trade credit), commercial paper, short-term bank loans – line of credit, revolving credit arrangement, transaction loans; The cost of bank loan; Choosing a bank; Factoring accounts receivable, Inventory loan: Floating loan, Chattel loan, Trust receipt loan, Terminal warehouse receipt loan, Field warehouse receipt loan

Unit 2 Valuation of Bonds and Stocks**12 Hours**

Meaning of Bond; Basics of Bond; Bond Valuation; Yield to Maturity, Yield to Call

Meaning and Features of Preferred Stocks, Valuation of Preferred Stocks

Meaning and features of common stock, Valuation of Common Stocks: Book Value Method, The dividend discount model; zero growth model, constant growth model, non-constant growth model

Unit 3 Risk and Return Theory**10 Hours**

Meaning and Nature of Risk and Return, Measures of Risks and Return of Single asset and portfolio of assets: Variance, Correlation and Covariance

Concept of Diversification, Capital Assets Pricing Model, Standard Deviation vs. Beta as a measure of Risk, Security Market Line (SML) vs. Capital Market Line (CML)

Unit 4 Leverage**8 Hours**

Concept of Leverage, Degree of Operating leverage, Financial Leverage and Total Leverage, Financial Leverage with Preferred Stock; EBIT-EPS Analysis

Unit 5 Capital Structure**8 Hours**

Concept of Capital Structure, Consideration of Capital Structure Planning, Modigliani and Miller's (MM) Proposition, Static Tradeoff Theory, Pecking Order Theory

Reference Books:

1. Eugene F. Brigham, and Michael C. Ehrhardt, *Financial Management: Theory and Practice*, Thomson Asia, Singapore.
2. James C. Van Horne, *Financial Management and Policy*, Prentice Hall of India, New Delhi.
3. Joshi, K. R., Sharma, D. R., Gupta, M. K., Lamichhane, P., Shrestha, P. M. & Ghimire, T. R. et al. *Fundamentals of Financial Management*, Ayam Publication, Kathmandu, Nepal.