



PRINCIPLES OF FINANCE
PRINCIPLES OF FINANCE
[CORE COURSE]

Semester: II

Credits: 3

Subject Code: BB22003

Lectures: 48

Course Outcomes:

At the end of this course the learner will be able to,

- Recognize the importance of Finance Function for a Business Organization.
- Describe the different Sources of Finance available to a company
- Apply the mind to construct the basic Financial Structure for a company
- State and explain the technical concepts of Capital Structure and Capitalization
- Relate to the new and emerging trends in the field of Business Finance.

Unit 1: Introduction

08

- Finance – Meaning and Definition, Features, Scope
- Financial Management – Meaning, Definition, Approaches – Traditional Approach and Modern Approach, Importance of Financial Management
- Objectives of Financial Management-Profit Maximization Objective, Wealth Maximization Objective, Value Maximization Objective, Other Objectives
- Organization of Finance Function, Role and Functions of Finance Manager.

Unit 2: Sources of Finance

14

- Introduction
- Classification of Sources of Finance
 - According to term-short term and long term
 - According to ownership-Owned sources and Borrowed sources
 - According to form of assistance – Fund Based and Non Fund Based
- Short Term Sources
 - Trade Credit, Factoring of Book Debts,
 - Working Capital Finance from Banks-Cash Credit, Bank Overdraft, Bill Discounting, Letter of Credit, Bank Guarantee
- Medium Term and Long Term Sources
 - Equity Shares, Preference Shares and its types, Debentures and its types ,Public Deposits

Unit 3: Capital Structure and Capitalization

14

- Capital Structure-Meaning, Capital Structure and Financial Structure
- Optimum Capital Structure, Factors affecting Capital Structure Decisions-

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Internal Factors, External Factors, General Factors

- Capitalization-Meaning and Definition, Theories of Capitalization-Cost Theory and Earnings Theory of Capitalization
- Actual Capitalization Vs. Proper/Fair Capitalization
- Over-Capitalization-Meaning, Causes, Consequences and Remedies
- Under-Capitalization-Meaning, Causes, Consequences and Remedies
- Over-Capitalization Vs. Under-Capitalization

Unit 4: Recent Trends in Business Finance

12

- Mutual Funds-Concept, Definition, Types of Mutual Funds-Open-end funds, Closed-end funds, Load funds, No-Load funds, Equity Funds, Debt Funds, Commodity Funds, Exchange Traded Funds, Fund of Funds, Concept of Net Asset Value, Systematic Investment Plan, Advantages and Disadvantages of Mutual Funds.
- Venture Capital-Meaning, Definition, Features, Forms of Venture Capital, Advantages and Disadvantages of Venture Capital Financing.
- Leasing-Meaning, Definition, Features of Leasing, Types of Lease-Operating Lease, Financial Lease, Difference between Operating Lease and Financial Lease, Advantages and Disadvantages of Leasing.
- Micro Finance-Meaning, Definition, Importance of Microfinance, Micro financing Institutions in India.

#12 hours for Library work, practicals or field work or research purposes

Basic Reading:

- Dr. N.M. Vechalekar, *Financial Management* 2009
- Satish M. Inamdar *Financial Management* Everest Publishing House
- *Principles of Finance for FYBBA* Nirali Prakashan
- *Principles of Finance for FYBBA* Thakur Publishers

Reference Books:

- M.Y. Khan and P.K. Jain *Financial Management* Tata McGraw-Hill Publishing Company Ltd.
- Prasanna Chandra, *Financial Management*, Tata McGraw Hill
- M.A. Kohok *Advanced Financial Management* Everest Publishers
- Ravi M. Kishore *Financial Management* Taxmann Publications (P) Ltd. 2009
- S.Kr. Paul *Financial Management* New Central Book Agency (P) Ltd., Kolkata 2007
- Siddhartha Sankar Saha *Indian Financial System and Markets* McGraw Hill Education (India) Pvt. Ltd., Chennai 2013
- Dr. S Guruswamy *Financial Services and Markets* Thomson Publications
- Shashi K Gupta and Nisha Aggarwal *Financial Services* Kalyani Publishers 2004

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L.M.Bhole and M. Jitendra *Financial Institutions and Markets* Tata McGraw Hill 2018

E-resources:

- <https://corporatefinanceinstitute.com/resources/knowledge/finance/what-is-finance-definition/>
- <http://ncert.nic.in/textbook/pdf/kebs108.pdf>
- <https://corporatefinanceinstitute.com/resources/knowledge/finance/sources-of-funding/>
- <https://www.amfiindia.com/>
- <https://www.edupristine.com/blog/venture-capital>
- <https://www.ada-microfinance.org/en/about-ada/definition-of-microfinance>

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