



**PRINCIPLES OF FINANCE**  
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**[CORE COURSE]**

<b>Semester: II</b>	<b>Credits: 3</b>	<b>Subject Code: BB22003</b>	<b>Lectures: 48</b>
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**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.

<b>Unit 1: Introduction</b>	<b>08</b>
<ul style="list-style-type: none"><li>• Finance – Meaning and Definition, Features, Scope</li><li>• Financial Management – Meaning, Definition, Approaches – Traditional Approach and Modern Approach, Importance of Financial Management</li><li>• Objectives of Financial Management-Profit Maximization Objective, Wealth Maximization Objective, Value Maximization Objective, Other Objectives</li><li>• Organization of Finance Function, Role and Functions of Finance Manager.</li></ul>	

<b>Unit 2: Sources of Finance</b>	<b>14</b>
<ul style="list-style-type: none"><li>• Introduction</li><li>• Classification of Sources of Finance<ul style="list-style-type: none"><li>○ According to term-short term and long term</li><li>○ According to ownership-Owned sources and Borrowed sources</li><li>○ According to form of assistance – Fund Based and Non Fund Based</li></ul></li><li>• Short Term Sources<ul style="list-style-type: none"><li>○ Trade Credit, Factoring of Book Debts,</li><li>○ Working Capital Finance from Banks-Cash Credit, Bank Overdraft, Bill Discounting, Letter of Credit, Bank Guarantee</li></ul></li><li>• Medium Term and Long Term Sources<ul style="list-style-type: none"><li>○ Equity Shares, Preference Shares and its types, Debentures and its types, Public Deposits</li></ul></li></ul>	

<b>Unit 3: Capital Structure and Capitalization</b>	<b>14</b>
<ul style="list-style-type: none"><li>• Capital Structure-Meaning, Capital Structure and Financial Structure</li><li>• Optimum Capital Structure, Factors affecting Capital Structure Decisions-</li></ul>	

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Internal Factors, External Factors, General Factors	
<ul style="list-style-type: none"> <li>Capitalization-Meaning and Definition, Theories of Capitalization-Cost Theory and Earnings Theory of Capitalization</li> <li>Actual Capitalization Vs. Proper/Fair Capitalization</li> <li>Over-Capitalization-Meaning, Causes, Consequences and Remedies</li> <li>Under-Capitalization-Meaning, Causes, Consequences and Remedies</li> <li>Over-Capitalization Vs. Under-Capitalization</li> </ul>	

<b>Unit 4: Recent Trends in Business Finance</b>	12
<ul style="list-style-type: none"> <li>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.</li> <li>Venture Capital-Meaning, Definition, Features, Forms of Venture Capital, Advantages and Disadvantages of Venture Capital Financing.</li> <li>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.</li> <li>Micro Finance-Meaning, Definition, Importance of Microfinance, Micro financing Institutions in India.</li> </ul>	

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

<b>Basic Reading:</b>
<ul style="list-style-type: none"> <li>Dr. N.M.Vechalekar, <i>Financial Management</i> 2009</li> <li>Satish M. Inamdar <i>Financial Management</i> Everest Publishing House</li> <li><i>Principles of Finance for FYBBA</i> Nirali Prakashan</li> <li><i>Principles of Finance for FYBBA</i> Thakur Publishers</li> </ul>

<b>Reference Books:</b>
<ul style="list-style-type: none"> <li>M.Y.Khan and P.K.Jain <i>Financial Management</i> Tata McGraw-Hill Publishing Company Ltd.</li> <li>Prasanna Chandra, <i>Financial Management</i>, Tata McGraw Hill</li> <li>M.A.Kohok <i>Advanced Financial Management</i> Everest Publishers</li> <li>Ravi M. Kishore <i>Financial Management</i> Taxmann Publications (P) Ltd. 2009</li> <li>S.Kr. Paul <i>Financial Management</i> New Central Book Agency (P) Ltd., Kolkata 2007</li> <li>Siddhartha Sankar Saha <i>Indian Financial System and Markets</i> McGraw Hill Education (India) Pvt. Ltd., Chennai 2013</li> <li>Dr. S Guruswamy <i>Financial Services and Markets</i> Thomson Publications</li> <li>Shashi K Gupta and Nisha Aggarwal <i>Financial Services</i> Kalyani Publishers 2004</li> </ul>

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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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