

UNIVERSITY OF ECONOMICS - VARNA
FACULTY OF „MANAGEMENT“
DEPARTMENT OF „MARKETING“

ACCEPTED BY:

Rector:

(Prof. Dr. Plamen Iliev)

SYLLABUS

SUBJECT: “INTRODUCTION TO FINANCE”;

DEGREE PROGRAMME: „International Business“; BACHELOR`S DEGREE

YEAR OF STUDY: Second; SEMESTER: Third;

TOTAL STUDENT WORKLOAD: 270 h.; incl. curricular 75 h.

CREDITS: 9

DISTRIBUTION OF WORKLOAD ACCORDING TO THE CURRICULUM

<i>TYPE OF STUDY HOURSE</i>	WORKLOAD, h.	TEACHING HOURS PER WEEK, h
CURRICULAR:		
incl.		
• LECTURES	45	3
• SEMINARS (lab. exercises)	30	2
EXTRACURRICULAR	195	-

Prepared by:

1.
(Assoc. Prof. Dr. Jordan Jordanov)

2.
(Chief Assistant M. Mahlebashieva PhD)

Head of department:

Marketing (Prof. Dr. Evgeni Stanimirov)

I. ANNOTATION

The aim of this course is to bring in the student to basic principles of finance. These principles are the vital knowledge for either a career in corporate finance or further education in the area of investments, banking, and insurance. It is also an excellent primer for non-finance majors wanting to familiarize with the world of finance.

The primary goal of this course is to impart the knowledge to allow you to intelligently solve practical business problems. To achieve this goal, it is crucial that you have a sound understanding of finance theory. As such, the course will be both theoretical and practical, often requiring rigorous quantitative analysis, aiming at:

1. Gaining a basic understanding of fundamental finance theories, e.g., time value of money.
2. Applying finance concepts to real finance problems.
3. Familiarizing with finance terminology.

Introduction to Finance will provide students the knowledge of major concepts and topics of finance. On successful completion of this course, students will be able to apply these concepts; and, most importantly, be able to think logically and systematically in financial terms. More specifically, student will:

1. Compute the future value, present value and the rate of return on an investment for projects that involve single or multiple cash flow(s).
2. Be acquainted with the functions of financial markets and market participants as well as the major instruments on money and capital markets
3. Know the role, structure and rationale of the nonbank financial institutions, i.e. insurance companies, pension funds and investment funds.
4. Explain the goal of Financial management and the conflicts of interest between managers and owners.
5. Know the important types of stocks and bonds and understand the determinants of their valuation. Know the various ways in which capital can be raised
6. Be able to understand firms' financial statements and perform firms' financial analysis.
7. Be familiar with capital budgeting methods and make capital budgeting decisions selecting among investment projects.
8. Recognize how stock prices depend on future dividends and be able to compute stock prices using the dividend growth model.
9. Understand how financial markets work and know the historical rate of returns and risks on various types of investments.
10. Calculate expected value and standard deviation (risk) of investment returns and understand the risk-return tradeoff.
11. Evaluate the impact of diversification and have a basic understanding of the systematic risk principle.
12. Have a general understanding of the role and rationale of Public finance and taxation.

II. THEMATIC CONTENT

No. no ред	TITLE OF UNITS AND SUBTOPICS	NUMBER OF HOURS		
		L	S	L.E.
I. Time Value of Money		5	4	9
1.1	The Time Value of Money and Interest Rates			
1.2	Valuing Cash Flows at Different Points in Time			
1.3	Valuing a Stream of Cash Flows			

1.3.1	Perpetuities			
1.3.2	Annuities			
1.3.3	Growing Cash Flows			
1.4	Solving for Variables Other Than Present Value or Future Value			
II. An Overview of the Financial System and Financial Markets & Instruments		3	2	5
2.1	Function of Financial Markets			
2.2	Structure of Financial Markets Debt and Equity Markets Primary and Secondary Markets Exchanges and Over-the-Counter Markets Money and Capital Markets Dealers and Brokers			
2.3	Money and capital market instruments			
III. Nonbank Finance		4	2	6
3.1	Insurance Life Insurance Property and Casualty Insurance			
3.2	Pension Funds Private Pension Plans Public Pension Plans			
3.3	Finance Companies Mutual Funds Hedge funds			
IV. Introduction to Corporate Finance		3	2	5
4.1	Why Study Finance?			
4.2	The Four Types of Firms			
4.3	The Financial Manager			
4.4	The Financial Manager's Place in the Corporation			
V. Corporate Financing		4	3	7
5.1	Stock Valuation Stock Basics The Mechanics of Stock Trades			
5.2	Debt Financing Corporate Debt Bond Covenants Repayment Provisions			
5.3	Bonds Bond Terminology Zero-Coupon Bonds Coupon Bonds Why Bond Prices Change			
VI. Financial Statements & Financial Analysis		7	4	11
6.1	Firms' Disclosure of Financial Information			
6.2	The Balance Sheet			
6.3	Balance Sheet Analysis			
6.4	The Income Statement			
6.5	Income Statement Analysis			
6.6	The Statement of Cash Flows			
6.7	Other Financial Statement Information			
6.8	Financial Reporting in Practice			

VIII. Capital Budgeting		4	3	7
8.1	The NPV Decision Rule			
8.2	Using the NPV Rule			
8.3	Payback Period			
8.4	Alternative Decision Rules			
8.5	Choosing Between Projects			
8.6	Choosing Among Projects When Resources Are Limited			
8.7	Putting it All Together			
IX. Risk and Return		4	3	7
9.1	A First Look at Risk and Return			
9.2	Historical Risks and Returns of Stocks			
9.3	The Historical Tradeoff Between Risk and Return			
9.4	Common Versus Independent Risk			
9.5	Diversification in Stock Portfolios			
X. Portfolio Theory and CAPM		4	3	7
10.1	The Expected Return of a Portfolio			
10.2	The Volatility of a Portfolio			
10.3	Measuring Systematic Risk			
10.4	Putting it All Together: The Capital Asset Pricing Model			
XI. The Role and Size of the Public Sector		3	2	5
11.1	Economic Rationale for Public Sector Interventions: Externalities Market Efficiency and Market Failure, Distributional Concerns			
11.2	Public goods			
XII. Taxation in Bulgaria, the United States and Around the World		4	2	6
12.1	Types of Taxation Taxes on Individual Income Taxes on Corporate Income Taxes on Wealth Taxes on Consumption Taxation Around the World			
12.2	Structure of the Individual Income Tax Computing the Tax Base Tax Rates and Taxes Paid			
12.3	Measuring the Fairness of Tax Systems Average and Marginal Tax Rates Vertical and Horizontal Equity Measuring Vertical Equity			
Total:		45	30	75

III. FORMS OF CONTROL:

No. by row	TYPE AND FORM OF CONTROL	№	extra-curricular, h.
1.	Midterm control		
1.1.	Project work – on a predefined theme	1	15
1.2.	3 quiz assignments	3	45
1.3.	Test (mixed type questions)	1	45
1.4.			
Total midterm control:		4	105
2.	Final term control		
2.1.	Examination (test)	1	90
Total final term control:		1	
Total for all types of control:		5	195

IV. LITERATURE

REQUIRED (BASIC) LITERATURE:

1. *Fundamentals of corporate Finance*, Berk/DeMarzo/Harford, second edition, Pearson 2012.
2. *The economics of money, banking, and financial markets* / Mishkin, Frederic S.—7th ed.
3. *Public Finance*, 9/e Harvey S. Rosen, Princeton University, Ted Gayer, Georgetown University, Copyright year: 2010, ISBN: 0073511358 [Paperback]

RECOMMENDED (ADDITIONAL) LITERATURE:

1. *Investments*, Fifth Edition, Bodie–Kane–Marcus, 2001.
2. *Financial Management and Analysis*, Fabozzi, Frank J., Pamela P. Peterson, John Wiley & Sons, Inc., 2003.