

**ST. XAVIER'S COLLEGE (AUTONOMOUS), KOLKATA
UNDER UNIVERSITY OF CALCUTTA**

**POST GRADUATE DEPARTMENT OF COMMERCE (M. COM)
CURRICULUM- 2018-20**

SEMESTER IV (Accounting and Finance)

| Code | Subjects | Total Marks | Credit Points |
|------------------|---|--------------------|----------------------|
| AFDM 4451 | Dissertation including presentation and Viva (Dissertation-100 + Viva-50) | 150 | 9 |
| SAPM 4401 | Securities Analysis & Portfolio Management | 100 | 6 |
| DRMM 4401 | Derivative & Risk Management and International Finance (50 + 50) | 100 | 6 |
| Total | | 350 | 21 |

**SECURITIES ANALYSIS & PORTFOLIO MANAGEMENT
PAPER CODE: SAPM 4401**

1. **Introduction:** Meaning of investment – speculation and Gambling – Investment avenues - Types of investors – Investment objectives – The investment process – Meaning of security – Types of securities – Meaning of security analysis-- sources of financial information.
2. **Risk and Return** – Computation of return – Meaning and definition of risk – Types: (Systematic risk- Market risk, Purchasing power risk, Interest rate risk, Unsystematic risk- Business risk (Internal, External), Financial risk) – Minimising risk exposure; Risk measurement - Standard deviation – Meaning of Beta – Computation and interpretation – Use of beta in estimating returns.
3. **Fundamental analysis:** Economic analysis, industry analysis and company analysis.
4. **Valuation of securities:** preference shares, equity shares--Constant Growth model, Two-Stage Growth model, The Three-Phase Model, Valuation through P/E ratio. Free Cash Flow Valuation
5. **Technical Analysis** - Meaning and Assumptions of technical analysis – Trend lines and their significance – Market indicators – The Dow theory – Market indices – Mutual fund activity – Confidence level – Price indicators – Support and Resistance levels – Gap analysis -New high-low – The most active list – Moving averages of stock prices – Volume indicators- Price-volume relationship – Short selling – Breadth of market (Advance/Decline) – Odd lot trading – Oscillators – Relative Strength Index (RSI) – Rate of Change (ROC) – Charting – Types of price charts – Price patterns.
6. **Efficient Market Hypothesis (EMH)** – Random Walk theory – Forms of EMH: Weak, Semi-strong and Strong – EMH and empirical findings – Implication of EMH on fundamental and technical analysis – Market inefficiencies.

7. Valuation of Bonds – Overview of fixed-income securities – Risk factors in fixed-income securities (Systematic and unsystematic) – Bond analysis – Types of bonds – Major factors in bond rating process – Bond returns – Holding period return – Bond Valuation -- Concept of yield – Current yield – Yield-to-Maturity – Price-yield relationship – Bond Pricing Theorems– Duration – Immunization-- Term structure of interest rates and yield curve

8. Portfolio Analysis – Selection and Evaluation – Meaning of portfolio – Reasons to hold portfolio – Diversification analysis – Computation of Portfolio Return and Risk - Markowitz’s Model – Assumptions – Specific model – Risk and return optimization Feasible set --Efficient frontier – Efficient portfolios –Leveraged portfolios – Corner portfolios – optimum portfolio-- Sharpe’s Single Index model – Portfolio evaluation measures – Sharpe’s Performance Index – Treynor’s Performance Index – Jensen’s Performance Index.

9. Capital Market Theory – CAPM theory: Assumptions – CAPM Model – Capital Market Line (CML) – Security Market Line (SML) – Evaluation of securities – Present validity of CAPM – Arbitrage Pricing Theory (APT) – Assumptions – APT model – two factor and multi factor models; Principle of arbitrage, arbitrage portfolios.

10. Equity and Bond Portfolio Management Strategy: Passive vs. Active Management-- Passive Equity Portfolio Management Strategy-Index Portfolio Construction Techniques-- Tracking Error, Methods of Index Portfolio Investment-- Fundamental Active Strategies; Technical Strategies. Market Anomalies; Value vs. Growth Investments-- Investor Behaviour and Stock Returns. Bond Portfolio Management Strategies: Passive and Active Bond Portfolio Management Strategies.

SUGGESTED READINGS:

1. Fischer & Jordan, Security Analysis and Portfolio Management, Prentice Hall India.
2. Prasanna Chandra, Investment Analysis and Portfolio Management, Tata McGraw Hill.
3. Railley and Brown, Investment Analysis and Portfolio Management, Cengage Learning.
4. Punithavathy Pandian, Security Analysis and Portfolio Management, Vikas Publishing House Pvt. Ltd.
5. V. A. Avadhani, Investment and Securities Market in India, Himalaya Publishing House
6. William Sharpe, Portfolio Theory and Capital Market, McGraw-Hill Education, New York.
7. Elton Edwin J, Gumber; Martin J, Modern Portfolio Theory and Investment Analysis, Wiley, New York
8. Martin Pring, Technical Analysis Explained, McGraw Hill.
9. Frank J. Fabozzi, “Investments”.
10. Sharpe, Alexander and Baily, Investments, PHI

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**DERIVATIVES AND RISK MANAGEMENT AND INTERNATIONAL FINANCE
PAPER CODE: DRMM 4401**

MODULE: I

**DERIVATIVES AND RISK MANAGEMENT
(50 marks)**

1. Introduction

Derivatives – Meaning, Types, Uses, Dangers; Types of Traders - Hedger, Speculator, Arbitrageur; Derivatives Markets in India- Overview

2. Forward & Futures

Forward- Types, Pricing, Settlement, Arbitrage Argument; Futures-Types, Pricing, Settlement, Hedging with Commodity Futures, Arbitrage with Index Futures; Forward vs. Future contracts

3. Option

Types, Option Positions, Payoffs, Trading Strategies: – Covered, Combination, Spread; Properties of Stock Options- Option Pricing: Factor affecting Option Prices, Upper and Lower Bounds of Option Prices, Put-Call Parity, Effect of Dividends; Pricing- Risk Neutral Valuation, Binomial Model and Black-Scholes Model; Exotic Options.

4. Swaps

Types- Interest Rate Swap, Currency Swap and Equity Swap; Valuation; Risk Management with Swaps

5. Warrants & Convertibles

Concepts; Uses; Valuation

6. Managing Market Risk

Greeks – Delta, Theta, Gamma, Vega, Rho, Relationship between Delta, Theta and Gamma; Value at Risk – Concepts, Methods; Portfolio Insurance

8. Credit Risk and Credit Derivatives

Concepts, Types- Credit Default Swaps (CDS) and Collateralized Debt Obligations (CDO); Credit Default Swap- Indian Scenario

9. Other Derivatives

Commodity Derivatives; Interest Rate Derivatives and Euro Dollar Derivatives; Weather, Energy and Insurance Derivatives, Swaptions, Futures Option

10. Derivatives Mishaps and Learning

Lessons for users of derivatives in India and, Lessons for Financial and Non-Financial Corporations.

SUGGESTED READINGS:

1. John C. Hull and S Basu, *Options, Futures and Other Derivatives*, Pearson (2018).
2. N. R. Parasuraman, *Fundamentals of Financial Derivatives*, Wiley India
3. S. K. Parameswaran, *Fundamentals of Options*, TATA McGraw Hill
4. Rajiv Srivastava, *Derivatives and Risk Management*, Oxford University Press

5. Don M. Chance, *Derivatives and Risk Management Basics*, Cengage Learning
6. John C. Hull, *Risk Management and Financial Institutions*, Pearson
7. Robert Kolb, *Financial Derivatives*, New York Institute of Finance, New York

MODULE: II
INTERNATIONAL FINANCE
(50 marks)

1. Introduction:

International Business and its Modes, Multinational Corporations, Domestic Financial Management & International Financial Management

2. International Monetary and Financial System:

History of Monetary System—Gold standard, Gold exchange standard, Bretton woods system and Post Bretton woods system, IMF and the World Bank; European monetary system - Meaning and scope, recent developments

3. Balance of Payments and International Linkages:

Balance of payments and its components; International flow of goods, services and capital; Coping with current account deficit

4. Exchange Rate Mechanism:

Definition of Foreign Exchange; Exchange Rate Quotation: Two Way Quote; Buying/Selling (Bid/Offer or Ask) Quotes and Spread; Direct and Indirect Quotes; Inverse Quote; Inter Bank and Merchant Rates; TT, Bill, TC, Cash/Currency Rates; Value/Settlement Date; Cash/TOD, TOM; Cross Rates; 2 Point and 3 Point Arbitrage; Exchange Arithmetic Nominal, Real and Effective Exchange Rates; Determination of Exchange Rate in Spot market and Forward Market; Factors Influencing Exchange Rate; Fundamentals of Central Bank Intervention; Demand and Supply of Foreign Exchange; Purchasing Power Parity; Effect of Inflation; Fisher's Equation; Interest Rate Parity; Covered Interest Arbitrage;

5. Foreign Exchange and Derivatives Markets:

Foreign Exchange Market – Features, Participants, Cash, Spot and Forward Market; Volume of Transactions; Merchant and Speculative Transactions; Regulator; FEMA; Authorized Dealers; FEDAI; OTC Market; Telephonic Market; Round the Clock Market; Brokers; Voice Box; Settlement Process and Settlement Risk; Back Office; Currency Futures Market, Currency Option Market

6. Foreign Exchange Risk Management:

Transaction exposure, Translation exposure and Operating exposure; Management of Exposure: Hedging of Transaction, Translation and Operating Exposure

7. International Investment Decisions:

Foreign Direct Investment, International Capital Budgeting, International Portfolio Investment

8. International Financing Decisions:

International Financial Market and Instruments, Multinational Cost of Capital and Capital Structure, International Banking, Financial Swaps

9. International Working Capital Management:

Financing Foreign Trade, Current Asset management, Financing Current Assets

10. International Transfer Pricing:

Concepts and Application

SUGGESTED READINGS:

1. Eikeman, Stonehill & Moffett, *Multinational Business Finance* by Tata McGraw Hill
2. Alan C. Shaprio, *Multinational Financial Management*, Wiley
3. V. Sharan, *International Financial Management*, PHI
4. Prakash G. Apte, , Tata McGraw Hill
5. V. K. Bhalla, *International Financial Management*, Anmol publication, New Delhi.
6. Siddaiah, *International Financial Management*, Pearson
7. Jeff Madura, *International Financial Management* by. Asian Books Pvt Ltd, New Delhi.

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