

DEPARTMENT OF HUMANITIES&SOCIAL SCIENCES

Programme: Ph. D

Course Title: Financial Economics

Course Category: Pre-PhD Course Work

Course Code: HUT 706

Credits: 3 (L-3)

Semester: Odd/Even

Internal: 50 Marks

Theory: 50 Marks

Total: 100 Marks

Time: 3hrs

Course Objectives

- To equip the students with fundamental concepts in modern finance.
- To develop appropriate analytical skills for understanding the financial dynamics.

Instructions for Examiner

The number of questions to be set will be five, at least one from each unit. The examinees will be required to attempt all five questions. All questions shall carry equal marks.

Unit I Introduction

Fundamentals of Financial Markets: Financial Markets and Economy, Asset Classes and Financial Instruments, Types of Markets, Types of Trading Mechanisms. Demand and Supply Behavior of Financial Products, Stock Markets' Dynamics.

Unit II Equity and Bond Markets

Optimal Asset Allocation: Risk and Return Tradeoff, Portfolio Valuation: Introduction to Portfolio Models, Calculating Efficient Portfolios, Portfolio Analysis Single Index Model, Bond Issuance across Currencies: Onshore And Offshore, Bond Valuations.

Unit III Assets Pricing

Capital Market Equilibrium: Capital Asset Pricing Model, Arbitrage Pricing Theory, Fama French Three Factor Model; Option pricing- from the Binomial model to Black and Scholes; Efficient Markets Hypothesis.

Unit IV Financial Analysis

Financial Statements Analysis; Regression Analysis: Theory and Estimation, Regression in Finance: Single Factor Models, Estimating Portfolio Characteristics, Relationship between Beta, Correlation and Relative Volatility.

Course Outcomes

The course will strengthen the learnings of students in the field of corporate finance. They will be benefited in terms of understanding the financial markets and their behaviour. The thrust of the course is to understand the assets prices behaviour in the stock market. The valuation of stocks will help the students to make the appropriate choices regarding security and portfolio decisions.

Suggested Readings

- Frank, Fabozzi (2011), The Theory and Practice of Investment Management, Wiley.
- Reilly & Brown (RB) (2000), Investment Analysis and Portfolio Management, 6th Ed., Dryden.
- Siegel, Jeremy (1998), Stocks for the Long Run, 2nd Ed., Irwin.
- Bodie, Kane, and Marcus, Alan J. (2009) Essentials of Investments, 8th Ed., McGraw-Hill.