

ANDHRA KESARI UNIVERSITY
MINOR
Subject: FINANCIAL MANAGEMENT
w.e.f. AY 2023-24
COURSE STRUCTURE

Semester	Course Number	Course Name	No. of Hrs/Week	No. of Credits
II	1	Fundamentals of Financial Management	4	4
III	2	Money, Banking and Financial Markets	4	4
IV	3	Derivatives & Risk Management	4	4

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SEMESTER-III

COURSE 2: MONEY, BANKING AND FINANCIAL MARKETS

Theory

Credits: 4

4 hrs/week

Course Objective:

1. To analyse the impact of money on some of the economy's key variables such as interest rates, inflation, and the banking industry.
2. To exposes students to the theory and functioning of the monetary and financial sectors of the economy.
3. To study the organization, structure and role of financial markets and institutions.
4. To examine interest rates, monetary management and instruments of monetary control.
5. To study the Financial and banking sector reforms and monetary policy with special reference to India.

UNIT I : MONEY

Meaning, functions and classification, Role of money in capitalist, socialist and mixed economies, theories of money supply determination. RBI approach to money supply; High powered money and money multiplier. Monetary standards – Metallic and paper standards, system of note issues in India. RBI approach to money supply; High powered money and money multiplier.

UNIT II : BANKING

Types of Banks. Functions of Commercial banks. Process of credit creation, Purpose and limitations. Liabilities and assets of banks. Commercial banking in India, Nationalization of commercial banks in India. Recent reforms in banking sector in India.

UNIT III: CENTRAL BANKING

Functions of Central Bank. Quantitative and qualitative methods of credit control- Bank rate policy, Open market operations, Cash reserve ratio and selective methods. Role and functions of the Reserve Bank of India.

UNIT IV : FINANCIAL INSTITUTIONS, MARKETS, INSTRUMENTS AND FINANCIAL INNOVATIONS

Role of financial markets and institutions, Structure of money market and capital market — Call money market. Treasury bill market, Commercial bill market including commercial

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paper and certificate of deposits, Government securities market, Primary and secondary market for securities. Financial sector Reforms in India, Role of Financial Derivatives
Financial Institutions: Types; Banking and Non-Banking Financial Institutions.

UNIT V: INTEREST RATES

Interest Rates Determination; sources of interest rate differentials; theories of term structure

Recommended Books:

1. F. S. Mishkin and S. G. Eakins, Financial Markets and Institutions, Pearson Education
2. F. J. Fabozzi, F. Modigliani, F. J. Jones, M. G. Ferri, Foundations of Financial Markets and Institutions, Pearson Education.
3. Rakesh Mohan, Growth with Financial Stability- Central Banking in an Emerging Market, Oxford University Press, 2011. 32
4. L. M. Bhole and J. Mahukud, Financial Institutions and Markets, Tata McGraw Hill.
5. M. Y. Khan, Indian Financial System, Tata McGraw Hill.

SEMESTER-IV

COURSE 3: DERIVATIVES & RISK MANAGEMENT

Theory

Credits: 4

4 hrs/week

Course Objectives:

1. To understand derivatives market
2. To understand derivatives trading in India and regulatory framework.
3. To train the student with required skills for pricing of futures.
4. To train the student with required skills for pricing of options
5. To enable the student to explore hedging strategies to mitigate risk in business operations.

UNIT I : INTRODUCTION TO DERIVATIVES

Definition, types of derivatives, Uses of derivatives, Exchange-traded vs. OTC derivatives, Derivatives in India, Regulation for derivatives trading and SEBI guidelines related to derivatives trade.

UNIT II : INTRODUCTION TO OPTIONS

Basic Hedging practices, Forward contracts, Limitations of forward markets, Introduction to futures, Stock Index futures, Commodity Futures and Currency Futures, Distinction between futures and forwards contracts, pay-offs, Cash settlement vs Physical settlement, Pricing Principles, Beta and Optimal Hedge Ratio.

UNIT III : INTRODUCTION TO OPTIONS

Option terminology and Types, Index derivatives, European and American calls and puts, Exotic and Asian Options, Strategies and Pay-offs, Option Pricing and Put-Call parity.

UNIT IV : SWAPS

Meaning, overview, interest rate swaps, currency swaps, credit risk, mechanics of swaps.

UNIT V : RISK MANAGEMENT WITH DERIVATIVES

Hedging Using Greeks (Delta-Gamma Hedging), Hedging with Futures (Strategies of hedging, speculation and arbitrage): Index Options and futures, VaR, Historical Simulations, Risk management structure and policies in India.

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Recommended Books:

1. Hull C.John, "Options, Futures and Other Derivatives", Pearson Educations Publishers.
2. N.D.Vohra & B.R.Baghi, Futures and Options, Tata McGraw-Hill Publishing Company Ltd.
3. D.C.Parwari, Financial Futures and Options, Jaico Publishing House.
4. T.V.Somanathan, Derivatives, Tata McGraw-Hill Publishing Company Ltd.
5. S.L.Gupta, Financial Derivatives, Prentice Hall of India.

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SEMESTER-IV

COURSE 4: PORTFOLIO MANAGEMENT

Theory

Credits: 4

4 hrs/week

Course Objectives:

1. To familiarize students with recent changes and elements of portfolio management
2. To understand the various tools used in the evaluation process of investment avenues.
3. To understand the financial environment.

UNIT I : PORTFOLIO MANAGEMENT

Concept of Investment- Investment Vs Speculation. Security Investment Vs. Non-security forms of Investment - Investment Environment in India. Investment Process – Sources of Investment Information.

Meaning of Portfolio management- nature and Scope of Portfolio management- Portfolio Management Process- calculation of return on portfolio and risk on portfolio.

UNIT II : RISK AND RETURNS

Meaning- Types of risk-Calculation of risk-Standard Deviation and variance-Beta estimation Alpha and Beta Coefficient-Covariance- Investor's attitude towards risk and return. Meaning- Types of return- calculation of return on a single security- Arithmetic mean and Geometric mean-historical return and return relative- Probability distribution- Expected return.

UNIT III: BASICS OF PORTFOLIO MANAGEMENT IN INDIA

SEBI guidelines for investor protection- Portfolio Manager- who can be a Portfolio Manager SEBI guidelines for Portfolio Manager- Portfolio Management service and method of operation- Function of a Portfolio Manager- Career in Portfolio Management.

UNIT IV: PORTFOLIO MODELS

Elements of Portfolio Management - Portfolio Models - Markowitz Model, Efficient Frontier and Selection of Optimal Portfolio. Sharpe Single Index Model and Capital Asset Pricing Model, Arbitrage Pricing Theory.

UNIT V:

Portfolio theory: Markowitz Theory - Portfolio Management - Sharpe's Model- Jensen and Treynor Model. (Simple problems)

Recommended Books:

1. Priti Singh- Portfolio Management-Himalaya Publications.
2. V.K Avadhani-Security Analysis and Portfolio Management-HPH
3. Fischer and Jordan- Security Analysis and Portfolio Management-Prentice Hall
4. Prasanna Chandra- Security Analysis Investment management .
5. Sudhindra Bhatt, Security Analysis and Portfolio management, Excel Books.

ANDHRA KESARI UNIVERSITY-ONGOLE, PRAKASAM DISTRICT
Minor Programme from the Year 2023-24 Onwards
Programme- Financial Management -Question Paper model,
Second Year-Semester-III & IV

Time: 3 Hours

Total Marks: 75

PART –A

Answer any Five of the following out of Ten Questions

5X5=25 Marks

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10

PART –B

Answer the following

Note: (Each Unit carrying Two Questions)

5x10=50 Marks

11a.

Or

11b.

12a.

Or

12b.

13a.

Or

13b.

14a.

Or

14b.

15a.

Or

15b.

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