



Master of Business Administration in Finance

Semester IV

1. Elective - IV - Financial Engineering
2. Elective - V - Portfolio Management
3. Project Report
4. Elective - VI - Security Analysis and Investment Management
5. Strategic Management
6. Project Viva-voice
7. Elective - VII - Corporate Taxation

Corporate Taxation

1. Outline of Income Tax Act, 1961: basic Concepts and Definitions, Incidence of Tax, Heads of Income, Exemptions and deductions.
2. Computation of Business Income: definitions, Scope, Computation of Profits and Gains from Business or Profession, Deductions, Minimum Alternate Tax , Tax on Distributed Profits .
3. Computation of Capital Gains: capital Asset, Transfer, Short Term and Long Term Capital Gain, Cost Inflation Index, Exemptions.
4. Set off and Carry Forward: business Loss and Unabsorbed Depreciation, Return of Income, Assessment, Advance Payment of Tax, Tax Deduction or Collection at Source.
5. Tax Implications in Business Restructuring.

Financial Engineering

Unit 1-

Overview of Financial Engineering- An Introduction to Financial Engineering, Factors Contributing to the Growth of Financial Engineering, Environmental factors, intra firm factors, The Knowledge Base of the Financial Engineer- Various skills required by Financial Engineering.

Unit 2-

The Conceptual Tools of the Financial Engineer- Valuation Relationships and Applications Measuring Return, Risk: Portfolio Considerations, Investment Horizons, Leverage, Measuring Risk: Advanced Topics, asset Liability Management, Understanding Interest Rates and Exchange Rates, Valuation of Debt instruments, Speculation, Arbitrage and Market Efficiency, The Corporate Treasurer's Perspective, Why Risk management.

Unit 3-

The Physical Tools of the Financial Engineer- Product Development, Futures and Forwards , Swaps, Single Period Options: Calls and Put, Multiperiod Options: Caps, Floors, Collars, Captions, Swaptions, and Compound Options, Fixed Income Securities, Recent Debt Market Innovations, Equity and Equity Related Instruments, Hybrid Securities.

Unit 4-

Financial Engineering Processes and Strategies- Asset/Liability Management-evolution, Hedging and Related Risk Management Techniques, Corporate Restructuring and the LBO Arbitrage and Synthetic Instruments, Miscellaneous Equity-Based Strategies.

Unit 5-

Future Directions in Financial Engineering- Future Trends: Globalization and Technology Legal Protections for Innovative Financial Products and Services index.

References:

1. Financial Engineering: A Complete Guide to Financial Innovation 1st Edition.

Portfolio Management

Unit 1-

Market efficiency: random walk and the efficient market hypothesis, Empirical testing of Efficient Market Hypothesis (EMH). Portfolio Theory – Capital allocation between the risk free asset, Optimal risky portfolios - Markowitz model Vs Stochastic Dominance Analysis (SDA), Equilibrium in capital markets – Capital asset pricing model, Index models and Arbitrage pricing theory and multi factor models of risk and return .

Unit 2-

Fixed Income Securities : bond Prices and yield – Bond Characteristics and Types, Bond Pricing, Bond yield, Term Structure of Interest rate ,Interest rate risk - interest rate sensitivity, duration, convexity and immunization.

Unit 3-

Fundamental Analysis : economic analysis, Industry analysis, Company analysis, Forecasting company earnings, Valuation of companies.

Unit 4-

Technical Analysis: market indicators, Forecasting individual stock performance, Techniques, Types of charts, Dow theory , Relative strength, Contrary opinion , Moving average, Conference index ,Trading volume, Concept of depth , breadth and resilience of the market.

Unit 5-

Active Portfolio Management : portfolio performance evaluation –measuring investment return , conventional theory of performance evaluation , M^2 and T^2 , market timing , performance attribution procedures, style analysis and morning star ' s, risk adjusted rating. Active portfolio construction using Treynor – Black model.

Security Analysis and Investment Management

Unit 1-

Investments: Concept and Features- Micro- and Macroeconomic Concepts Relating to Investment Objectives, Investment and Speculation, Investment and Gambling, Investment Constraints, Investment Process, Security Analysis, Financial and Non-Financial Forms of Investment, Philosophy of Individual and Institutional Investors, Investment Opportunities, Investment Environment, Sources of Investment Information, Nature of Security and Investment Analysis, Process of Investment Decisions, Financial Markets and Investments, Investment Management, Behavioural Finance and Investment.

Unit 2-

Investment Avenues- Classification of Securities, Mutual Funds, American Depository Receipt, Indian Depository Receipt (IDR), Commodities, Real Assets, Real Estate, Rural Savings, Arts & Curios, Antiques, Basis of Selection of Securities, Risk Perceptions in Securities.

Unit 3-

Depository System and Listing of Securities- Need for Depositories, Depository Process, Depository Participants, Formalities for Opening Demat Account, Role of DPs, Cost of Demat Process, Advantages and Disadvantages of Demat Account, Precautions and Safeguards, Rematerialisation Process, Listing of Securities, Listing Process, Delisting of Securities, Recent Developments.

Unit 4-

Futures and Options- Derivatives Market, Advantages of Options, Forward, Futures and Options, Black Scholes Option Pricing Model, Factors Affecting Option Price, Futures, Contract Specifications, Futures in Indian Stock Market, Selection of Index for Futures, Benefits of Index Futures, Trading in Futures and Options.

Unit 5-

Risk and Return- Definition of Risk, Risk and Exposure, Characteristics of Risk, Types of Risks, Risk in Investment, Risk Avoidance, Minimizing the Risk Exposure, Contemporary Risks Models, Measurement of Returns, Assets Allocation Strategies, Diversification Strategies.

Unit 6-

Multifactor Risk and Return Models- CAPM Theory, Security Market Line, Multifactor Model of Risk and Return, Other Multifactor Model of Risk and Return.

Unit 7-

Efficient Market Hypothesis- Basic Concepts, Random Walk Theory, Weak Form of EMH, Predictability of Stock Returns – Empirical Evidences, Semi –Strong Form of EMH, Strong Form of EMH, Indian Experience, Market Inefficiencies, Maximization of Efficiency in a Market.

Unit 8-

Company, Equity and Bond Valuation- Company Valuation- Need for Valuation, Fundamental Principles of Valuation, Valuations Models, DCF Model, Illustration: Valuation of India Cements using DCF Model, EVA and MVA Models, Use of Real options in Valuation, Effects of Undervaluation and Overvaluation, Distress Valuation. Equity- Return, Multiple Holding Period, Intrinsic value vs Market Value, Traditional Valuation Methods. Bond- Bond Basics, Characteristics of Bonds, Bond Markets, Bond Risk, Time Value Concept, Bond Returns, Bond Yield and Yield to Maturity, Day Count Conventions, Term Structure and Interest Rates, Bond Value Theorems, Duration and Convexity, Riding the Yield Curve, Immunization.

Unit 9-

Technical and Fundamental Analysis- Basic Principles of Technical Analysis, Advantages of Technical Analysis, Criticism Against Technical Analysis, Technical Price Forecasting, Various Technical Indicators, Dow Theory, Elliot Wave Theory, Volume as Confirmation, Chart Patterns, Various Forms of Charting, Trend Reversal, Bullish Falling Wedge in an Uptrend, Neural Network Analysis, Technical Chart Software, Difference between Fundamental Analysis and Technical Analysis. Economic Analysis, Industry Analysis, Factors Affecting industrial Performance, Company Analysis, Financial Health.

Unit 10-

Portfolio Construction- Fundamental Principles of Portfolio Management, Portfolio Theory, Portfolio Management : Traditional and Modern Approaches, Portfolio Creation, Portfolio Risk Management through Diversification, Beta in Portfolio Selection, Uncertainty of Real Returns and Purchasing Power Risk, Purchasing Power Parity, Combination of Equity and Debt, Portfolio of Commodities, Portfolio Churning, Portfolio Hedging, Traditional Portfolio Analysis, Modern Analytical Approach, Portfolio Performance Analysis, Measuring Portfolio Efficiency.

Unit 11-

Markowitz Model- Simple Diversification, Problems of Diversification, The Markowitz Model, Three Security Portfolios, Markowitz Efficient Frontier.

Unit 12-

Sharpe Portfolio Optimisation Model- Sharpe's Performance Index, Sharpe's Single Index, Sharpe's Optimal Portfolio, Construction of the Optimal Portfolio, Optimal Portfolio with Short Sales.

Unit 13-

Portfolio Evaluation- Performance Evaluation, Mutual Funds, Sharpe's Performance Index, Treynor's Performance Index, Jensen's Performance Index.

Unit 14-

Portfolio Revision and Management- Portfolio Revision, Formula Plans, Rupee Cost Averaging, Constant Rupee Plan, Constant Ratio Plan, Variable Ration Plan, Dollar Cost Averaging, Portfolio Revision and Transaction Cost, Equity and Derivative Portfolios, Equity and Debt Portfolios, Managing Portfolio of Individuals, Managing Portfolio Corporate Clients, Management of International Portfolios, Future of Portfolio Management in India.

Suggested Readings-

1. Security Analysis and Portfolio Management by K Sasidharan and Alex K Mathews.

Strategic Management

Unit 1-

Overview of strategic management: origin of strategy, strategy vs structure, elements of business strategies, Strategic Management process.

Unit 2-

Environmental Analysis: Strategically relevant components of internal and external environment, Industry and competitive analysis, analysis of resources and competitive capabilities, environmental scanning techniques.

Unit 3-

Establishing organizational direction– developing strategic vision, mission and setting objectives. Strategic intent and the concept of strategic pyramid, corporate ethics and social responsibility.

Unit 4-

Generic competitive strategies– stability, expansion, retrenchment, conglomerate and their variants. Strategic and competitive advantage, new business models for global and internet economy, Strategy clusters and models relating to portfolio analysis .

Unit 5-

Strategy implementation– building core competencies and competitive capabilities, developing policies and procedures for implementation. Designing and installing supporting and rewarding systems. Evaluating and monitoring implementation.

Suggested Readings-

1. Strategy and Structure – Alfred C .Chandler
2. Strategic Management – Alex Miller and Irwin
3. Competitive Advantages: Creating and Sustaining, Superior Performance– Michael E .Porter
4. Competing for the future – Prahlad and Hammel
5. The Future of Competition– Prahlad and Venkataraman
6. Crafting and executing Strategy – Aurthor A . Thompson and others
7. The Art of Strategy– Avinash K. Dixit and Barry J. Nalebuff