

FE602: FINANCIAL DERIVATIVES

No. of credits: 03

➤ COURSE OVERVIEW:

Understanding financial derivatives has become a common need for a financial management student who looks for Business, Professional and Job opportunities in the areas of financial instruments and markets and their related issues. Understanding a financial derivative has two dimensions i.e. one conceptual framework and design of a financial derivative instrument and the second, real usage of a financial derivative in a financial derivative market like stock, index and commodities derivatives. This course would bring awareness and understanding of financial derivative instruments and market dynamics in terms of product design, trading and valuation paving the way for application of conceptual understanding through classroom discussions, case studies, simulation, etc.,

➤ COURSE OBJECTIVES:

1. To familiarize the students with Financial Derivatives.
2. To make the students understand Forwards and Futures as a product for hedging and investment.
3. To make the students understand the dynamics of options as an investment and hedging tool.
4. To introduce the concepts of financial derivatives valuation.
5. To make students understand working of derivatives markets including commodities and apply the same in reality.

➤ PREREQUISITE FOR OPTING THE SUBJECT

Students who are willing to take this subject should get B+ in the following subjects which is mandatory

- Financial Markets and Systems
- International Finance

For meeting the above requirements, respective faculty should give the grades on or before the commencement of classes or before the deadline of student taking the elective which ever is earlier.

➤ **REQUIREMENTS FOR THE COURSE:**

Following is the classification of the activities or events related to the subjects. Failure to follow the process would make the subjects challenging.

- **Pre-class** : Activities as assigned and Readings from the chapters of issued text book, Reference book and other sources mentioned in session plan, Failing to do so would disqualify the student to attend the session at the discretion of the faculty.
- **In the class** : In addition to regular and prompt attendance, Interaction through questions and comments is essential. Importantly end of the session interaction relevant to the topic would be highly appreciated.
- **Post class** : Complete the assignments or activities before the next session, which would be the opportunity to apply the class room concepts in the real world. Failing to do so would make the student disqualified to attend the next session at the discretion of the faculty.

Note: In order to discourage late coming and promote class room discipline, student attendance will be taken at the beginning of the session. However those who come late to the class can attend the session but will not get attendance and cannot claim for the same.

➤ **COURSE OUTLINE:**

Session No	MODULE AND TOPIC	Reference
	Module I - Introduction	
1	Derivatives - Concept, Need and Importance	
2	Origin and Development of Derivatives Markets	
	Module II - Forwards and Futures	
3	Forwards Vs Futures	
4	Trading and Investment in Futures	

5	Margin and Risk Management	
	Module III Options	
6	Introduction to Options	
7	Types of Options - Call and Put	
8	Types of Options - Equity and Index	
9	Trading in Options markets	
	Module IV Swaps	
10	Introduction - Need and Importance	
11	Hedging with SWAPS	
12	Types of Swaps	
	Module V Credit Derivatives	
13	Need, Importance, Markets	
14	Types - Futures, Options and Swaps	
15	Global Recession and Credit Derivatives	
	Module VI Commodities Derivatives	
16	Commodities Derivatives	
17	Financial Derivatives Markets	
18	Commodities Derivatives Markets	
	Module VII - Regulatory Framework	
19	Securities Exchange Board of India (SEBI)	
20	Forwards Exchange Commission (FEC)	
	Total	

➤ **SESSION SCHEDULE:**

1	Introduction to Derivatives	2
2	Forwards and Futures	3
3	Options	4

4	Swaps	3
5	Credit Derivatives	3
6	Commodities Derivatives	3
9	Regulatory Framework	2
Total		20

➤ **EVALUATION COMPONENTS:**

Component	%
Mid Term Examination	30
Live Project Presentations	20
End Term Examination	50

➤ **REFERENCE BOOKS :**

- **Issue Book : John C Hull**, “Fundamentals of Options and Futures Markets”, 5th Edition, Pearson Education.
- **John C Hull**, “Options, Futures and Other Derivatives”, 6th Edition 2006, Pearson Education.
- **Bishnupriya Mishra and Sathya Swaroop Debasish**, “Financial Derivatives”, 1st Edition 2007, Excel Books.
- **Mark Fox -Andrews and Nicola Meaden**, “Derivatives Markets and Investment Management”, 1st Edition 1995 Prentice Hall, Wood Head - Faulkner

- **David A Dubofsky and Thomas W Miller Jr.**, *“Derivatives – Valuation and Risk Management”*, 1st Edition 2003, Oxford University Press.
 - **Rene M Stulz**, *“Risk Management and Deriatives”*, 1st Edition 2007, Thomson
 - **Jayanth Rama Varma**, *“Derivatives and Risk Management”*, 1st Edition 2008, McGraw-Hill
 - **Keith Redhead**, *“Financial Derivatives – An Introduction to Futures, Forwards, Options and Swaps”*, 1st Edition 1997, Prentice Hall of India
 - **Mark Fox-Andrews & Nicola Meaden**, *“Derivatives Markets and Investment Management”*, 1st Edition 1995, Prentice Hall and Wood Head-Faulkner
- **MAGAZINES & JOURNALS:**
- **ICFAI Journal of Derivatives Market**
 - **Proquest (Online Journal)**
 - **Derivative Week**
 - **Journal of Derivatives**
 - **Journal of Derivatives and Hedge Funds**

FE601: INVESTMENT BANKING

No. of credits: 3

- **COURSE OBJECTIVE:**

Investment banking focuses on the changing landscape within the securities industry, the challenging regulatory environment due to innovation in financing and advisory products. The course explores strategies and valuation, threats and opportunities from a corporate investment banking perspective. The course is introductory in nature with a specific focus on Indian investment banking scenario.

➤ **COURSE OUTLINE:**

Chapter 1: Introduction to investment banking

Course organization and requirements, overview in investment banking, historical evolution of the securities industry, competitive landscape investment banking, the players and the game.

Chapter 2:

Investment Banks in India, leading banks, products and services offered, characteristics and structure, service portfolio, interdependence between verticals, regulatory framework.

Chapter 3: Merchant Banking and Underwriting

Role, functions ,IPO, factors involved in success of IPO, Business Model, Underwriting in Fixed price offers, Underwriting in Book built offers, assessment of an issue and valuations.

Case study on TCS/iflex/ Biocon

Valuations on Management of Public issues, Initial public offering and pricing and underwriters liability .

Chapter 4: Private Equity

Introduction to private equity, private equity in India, regulatory framework, investment banking perspectives in private equity, private placement.

Chapter 5: Corporate Restructuring

Introduction to Corporate Reorganisation, rationale, split up, Investment banking perspective in corporate restructuring, buy back.

➤ **EVALUATION COMPONENT:**

Components	Weightage
Class participation	10%
Class presentations on recent developments in Indian investment banking scenario	10%
Midterm examination	30%

Endterm examination	50%
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➤ **PEDAGOGY:**

The course pedagogy consists of class room lectures, valuations and case studies.

➤ **REFERENCES:**

1. Investment Banking by Pratap G.Subramanyam
2. Vault Career guide to Investment Banking

FE604: MERGERS AND ACQUISITIONS

No. of credits: 03

➤ **COURSE OBJECTIVE:**

The objective of the course is to understand the motives, deal screening and selection, transaction execution, and valuation techniques of corporate restructuring. The course aims to develop skills among students to decide, analyze, and execute corporate restructuring strategies using quantitative and qualitative techniques. The course is designed to create a good mix between the academic and the corporate perspectives on mergers & acquisitions.

➤ **COURSE DESCRIPTION:**

The course will introduce the students to corporate actions including mergers, acquisitions, and restructuring, leveraged buyouts, management buyouts, and bankruptcy concepts and applications. The course is comprehensive covering the strategic, financial & valuation, accounting, legal, and organizational aspects of mergers and acquisitions, with a special focus on fundamental concepts of valuation and other key analytical tools. The course is a combination of applied theoretical and practical aspects coupled with case studies including Indian and International mergers & acquisitions.

➤ **COURSE GRADING:**

The course evaluation will be based on active class participation, case studies, presentations and project reports, and finally an end-term examination.

Component	Weight
Class Participation	20%
Case Study Presentations	20%
Project Reports	20%
Mid-Term & End Term Examination	40%
Total	100%

➤ **COURSE STRUCTURE AND PEDAGOGY:**

The course is structured into five modules

1. M&A Introduction: Theoretical frameworks, M&A motives, and types of mergers.
2. M&A Transaction Analysis: Strategy , Origination, & Deal Design
3. Due Diligence and Valuation: Deal Structure and Terms, M&A Valuation Techniques
4. Corporate Restructuring, Divestitures, Spin-Off, Equity Carve-outs and LBOs
5. M&A Accounting, Legal, Taxation, and Organizational aspects

➤ **RECOMMENDED TEXT BOOKS:**

1. Robert F. Bruner, *Applied Mergers and Acquisitions* (Wiley)
2. Enrique R. Arzac, *Valuation for Mergers, Buyouts, and Restructuring* (Wiley)
3. Weston, Chung, and Hoag, *Mergers, Restructuring and Corporate Control* (Prentice Hall)
4. ICFAI Press, *Mergers and Acquisitions Study Material and Workbook*

FE603: TAX MANAGEMENT

No. of credits: 03

➤ **COURSE OUTLINE:**

Topic

- Definition and Concept of Income under the I-T Act. Assessee , Assessment Year, Previous Year
- Individual , Residential Status of assesses
- Exempt Income (section 10). SEZ and Tax Exemption
- Tax Treatment of Trusts
- Heads of Income and tax treatment
- Business Income (Concept)
- Deductible Expenses under Business income
- Block of Assets concept and Depreciation
- Difference between GAAP and Tax treatment
- Income from other sources
- Deduction under Chapter VI
- Assessment Proceeding
- Appeal
- Transfer Pricing
- Carry Forward of Loss

➤ EVALUATION COMPONENTS:

Components	Weightage
Class Participation	20%
Mid term	30%
End term	50%

➤ PRESCRIBED TEXT BOOK:

Direct Taxes - Law & Practice by Ahuja & Gupta, Bharat House.

