

SVKM's Narsee Monjee College of Commerce & Economics

Program: B.Com(Economics)				Semester: IV	
Course: Financial Economics Academic Year: 2023-24 Batch: 2022-2025				Code: NMUBCOME404	
Teaching Scheme				Evaluation Scheme	
Lectures	Practicals	Tutorials	Credits	Internal Continuous Assessment (ICA) (weightage)	Term End Examinations (TEE) (weightage)
45	Nil	Nil	03	25 Marks	75 Marks
Learning Objectives: <ul style="list-style-type: none"> • elementary mathematics of finance; • the role and function of financial instruments; • the elementary valuation of financial instruments, primarily stocks, bonds, futures, and options; • the role of risk and how markets manage and control risk; • Ability to apply empirical evidence to assessing economic arguments • Ability to apply macroeconomic theories to policy discussions 					
Learning Outcomes: At the end of the course, the students should be able to: <ul style="list-style-type: none"> • Solve present value problems; • derive key financial formulas; • explain how the stock and bond markets operate; • explain the major features of stocks and bonds; • articulate the major trends and patterns in the financial markets; • explain how the futures and options markets operate. 					
Pedagogy: Classroom Learning, problem solving, case studies, games and simulations, peer teaching, role play, projects or assignments.					
Detailed Syllabus: (Per session plan) Session Outline For Financial Economics Each lecture session would be of one hour duration (45 sessions)					

Module	Module Content	Module Wise Pedagogy Used	Module Wise Duration
I	Investment Theory and Portfolio Analysis: Deterministic Cash Flow Streams: Basic theory of interest; discounting and present value; internal rate of return; evaluation criteria; fixed-income securities; bond prices and yields; interest rate sensitivity and duration;	Class room lectures	11

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	immunisation; the term structure of interest rates; yield curves; spot rates and forward rates.		
II	CAPM Single – Period Random Cash Flows: Random asset returns; portfolios of assets; portfolio mean and variance; feasible combinations of mean and variance; mean-variance portfolio analysis: the Markowitz model and the two-fund theorem; risk-free assets and the one- fund theorem.	Class room lectures	12
III	Options and Derivatives Introduction to derivatives and options; forward and futures contracts; options; other derivatives. Mechanics of Futures Markets Forward and future prices: Determination of Forward & Futures Prices Options: Option markets; call and put options; factors affecting option prices; put-call parity	Class room lectures	10
IV	Option trading strategies: spreads; straddles; strips and straps; strangles. The principle of arbitrage; discrete processes and the binomial tree model; risk neutral valuation, Black Scholes Merton (BSM) Model, Greek letters		12

Textbook :

Essentials of Corporate Finance, 8th Edition Ross, by Westerfield, and Jordan (McGraw-Hill),

Reference books:

John C. Hull, Options, futures and other derivatives

David G Luenberger: Investment Science

EVALUATION PATTERN

The performance of the learner will be evaluated in two components. The first component will be a Continuous Assessment with a weightage of 25% of total marks per course. The second component will be a Semester end Examination with a weightage of 75% of the total marks per course. The allocation of marks for the Continuous Assessment and Semester end Examinations is as shown below:

a) Details of Continuous Assessment (CA)

Continuous Assessment	Details	Marks
Component 1 (CA-1) – Theory subjects	Presentations/Project Work/Book Review/Field visit & its presentations/Assignments Etc.	15 marks
Component 1 (CA-1) - (Practical/Numerical Subjects)	Assignments/Presentations Etc.	15 marks
Component 2 (CA-2)	Online Test/Quiz	10 marks

Internal test of 10 marks: There will be 10 questions of 1 mark each.

b) Details of Semester End Examination

75% of the total marks per course. Duration of examination will be two and half hours

Question Number	Description	Marks	Total Marks
Q1.	Answer any 2 from the following (Module I) a. b. c.		16
Q2.	Answer any 2 from the following: (Module II) a. b. c.		16
Q3.	Answer any 2 from the following: (Module III) a. b. c.		16
Q4.	Answer any 2 from the following: (Module IV) a. b. c.		16

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Q5.	Case Study/Application based Questions : (Module I to IV)		1 1
TOTAL MARKS			7 5