

## UG FOURTH SEMESTER

**Paper 431      Elements of Financial Economics      FM: 50**

<b>Module 1</b>	<b>Theories of Corporate Finance</b>	<b>30</b>
Unit 1	<i>Introduction</i> - Corporate Finance, Corporate Firm and its goals: basic concepts and ideas	02
Unit 2	<i>Corporate Financial Reporting</i> - Overview of financial statement analysis, Structure of Financial Statements: Balance Sheet, Income Statement, Statement of Cash Flow, Financial Ratios and Financial Statement Analysis	06
Unit 3	<i>Capital Budgeting Decision of firms</i> - Introduction to risk, return and opportunity cost of capital: measuring portfolio risk, diversification and risk, limits to diversification, Capital Asset Pricing Model	12
Unit 4	<i>Theories of Capital Structure</i> - capital structure and the pie theory, Maximizing firm value versus maximizing stockholders' interest, Financial Leverage and Firm Value –Modigliani and Miller Propositions.	10
	<b>Reference:</b> Sharpe, W.F, Alexander, G.J. and Bailey, J.F. (2000), Investments, Prentice Hall of India Pvt. Ltd., 5 <sup>th</sup> Edition.	
Module 2	<b>Introduction to financial markets</b> Introduction to stock market, bond market and money market, their functions	10
	<b>Reference:</b> Bhole, L.M. and Mahakud, J. (2009), Financial Institutions and Markets: Structure, Growth and Innovations, Tata McGraw-Hill Education, 5 <sup>th</sup> Edition.	
Module 3	<b>Elements of International Finance</b>	24
Unit 1	The foreign exchange market, participants, characteristics and operations	02
Unit 2	The Spot market- organization of the interbank spot market, direct, indirect and cross rates, Bid-ask spread, triangular arbitrage	04
Unit 3	Foreign Exchange Exposure and Risk Management – concepts only	10
Unit 4	Introduction to currency derivative - brief description of forward, futures and options market operations	04
Unit 5	Multinational corporations – origin, growth and operations	04
	<b>Reference:</b> Levi, M.D. (2005), International Finance, Routledge Shapiro, A.C. (2003), Multinational Financial Management, John Wiley and Sons, Inc. 7th Edition.	

