



UNIVERSITY OF CALICUT

Abstract

Master of Arts (M.A.) Financial Economics Programme CCSS PG with effect from 2018 admission- Anomalies in the Syllabus -Rectified- Approved- Orders issued.

G & A - IV - B

U.O.No. 2786/2018/Admn

Dated, Calicut University.P.O, 03.03.2018

- Read:-*1) U.O.No. 678/2018/Admn Dated: 15.01.2018.
2) U.O. Note No. 48803/EX-I-ASST-2/2016/PB, Dated: 25.01.2018.
3) Remarks of BoS Chairman in Economics PG, Dated: 02.02.2018.
4) Orders of the Vice Chancellor in File of even no. Dated 07.02.2018.

ORDER

Vide paper read as first above, the revised Syllabus of the Master of Arts (Financial Economics) Programme CCSS PG with effect from 2018 admission was implemented.

Vide paper read as second above, Exam Branch had pointed out some anomalies in the syllabus of M.A. Financial Economics (CCSS PG Programme) 2018 Admission.

Vide paper read as third above, the Chairman, Board of Studies in Economics PG has rectified the anomalies in respect of the revised Syllabus of the Master of Arts (Financial Economics) Programme CCSS PG with effect from 2018 admission and forwarded a fresh copy of the syllabus after effecting necessary changes.

Vide paper read as fourth above, sanction has been accorded by the Vice Chancellor to implement the remarks of the Chairman and also to approve the fresh copy of the Syllabus of the Master of Arts (Financial Economics) Programme CCSS PG with effect from 2018 admission, after rectifying the anomalies.

Sanction has, therefore, been accorded to implement the remarks of the Chairman and also to approve the fresh copy of the Syllabus of Master of Arts (Financial Economics) Programme CCSS PG with effect from 2018 admission, after rectifying the anomalies.

Orders are issued accordingly.
(Anomalies rectified Syllabus appended)

Vasudevan .K

Assistant Registrar

To

The Director, Inter University Centre/HOD, Dept of Economics.

Copy to:

PA to PVC/ PA to CE/EX IV section/EG section/JCE V/System Administrator with a request to upload the syllabus in the University website/GA I F section/Library/Enquiry/SF/DF/FC/

Forwarded / By Order

Section Officer

**INTER UNIVERSITY CENTRE FOR FINANCIAL
ECONOMICS AND FINANCIAL ENGINEERING**

UNIVERSITY OF CALICUT



**REVISED SYLLABI OF
M.A. FINANCIAL ECONOMICS (CCSS)
2018 ADMISSION**

**SCHEME AND FORMAT OF
MODEL QUESTION PAPER**

M.A. FINANCIAL ECONOMICS - SCHEME OF THE COURSE

Sem	Name of the Paper	Credit	Hours		Total Hours	Total Marks	
			Lecture Hours	Seminar Hours		External*	Internal *
I	Core Course I – FECO 1C 01 Microeconomic Theory and Policy	4	70	20	90	80	20
	Core Course II – FECO 1C 02 Macroeconomics and Finance	4	70	20	90	80	20
	Core Course III – FECO 1C 03 Mathematics for Financial Economics	4	70	20	90	80	20
	Core Course IV – FECO 1C 04 Basic Financial Economics	4	70	20	90	80	20
II	Core Course V- FECO 2C 05 - Microeconomic Theory and Applications	4	70	20	90	80	20
	Core Course VI –FECO 2C 06 - Macroeconomic Theory and Policy	4	70	20	90	80	20
	Core Course VII- FECO 2C 07 Statistics for Financial Economics	4	70	20	90	80	20
	Core Course VIII- FECO 2C 08 International Trade: Theory and Policy	4	70	20	90	80	20
	Core Course IX- FECO 2C 09 Techniques of Security and Portfolio Analysis	4	70	20	90	80	20
III	Core Course X – FECO 3C 10 Basic Econometrics	4	70	20	90	80	20
	Core Course XI- FECO 3C 11 International Finance	4	70	20	90	80	20
	Core Course XII – FECO 3C 12 Public Economics	4	70	20	90	80	20
	Core Course XIII – FECO 3C 13 Advanced Financial Economics	4	70	20	90	80	20

	Core Course XIV – FECO 3C 14 Economics of Banking and Insurance	4	70	20	90	80	20
IV	Elective Course I *	4	70	20	90	80	20
	Elective Course II *	4	70	20	90	80	20
	Valuation of Dissertation	4					
	Viva Voce	4					
	Total	72					

* Two optional papers to be selected from the list of 5 optional papers appended.

***List of Optional Papers**

1. FECO 4E 15 - Applied Financial Econometrics
2. FECO 4E 16 - Financial Engineering and Structural Finance
3. FECO 4E 17 - Financial Modelling and Valuation
4. FECO 4E 18 - Project Appraisal and Finance
5. FECO 4E 19 - Corporate Finance and Capital Budgeting

Note : * Viva Voce based on the Dissertation – 2 credits

* Viva Voce based on the 16 Theory papers taught for the four semester (General Viva) – 2 credits

	Component	Marks
A	Seminar	5
B	Viva Voce	4
C	Attendance	3
D	Test Paper	8
Total		20

Components of External Evaluation

Part A (Objective type Questions)

10 multiple choice questions

(10 questions x 1 mark each = 10 marks)

Part B (very short answer questions)

Answer in one or two sentences each

Out of 8 questions answer any 5 questions

(5 questions x 2 marks each = 10 marks)

Part C (Short Answer questions)

Out of 12 questions answer any 8 questions

(8 questions x 5 marks each = 40 marks)

Part D (Essay questions)

Out of 4 questions answer any two questions

(2 questions x 10 marks each = 20 marks)

Total = 80 Marks

M.A. Financial Economics

SYLLABUS

Semester I

Core Course	Course code	Title of the Paper	Credit
1	FECO 1C 01	Microeconomic Theory and Policy	4
2	FECO 1C 02	Macroeconomics and Finance	4
3	FECO 1C 03	Mathematics for Financial Economics	4
4	FECO 1C 04	Basic Financial Economics	4

M.A.FINANCIAL ECONOMICS

Semester 1

Core Course 1

FECO 1C 01 Microeconomic Theory and Policy (Credit 4)

Total Hours: 90
Lecture Hours:70
Seminar Hours:20

Module-1 Theory of demand

Recent developments in theory of market demand-The Pragmatic approach to demand analysis-the constant elasticity demand function-Dynamic versions of demand functions-Distributed-lag models of demand-Linear expenditure systems-Network externalities-Bandwagon, Snob, Veblen effects- Kelvin Lancaster's theory of demand.

Module-II Risk and uncertainty:

Describing risk-Preferences towards risk-Risk averse,risk loving, risk neutral-Reducing risk-diversification, insurance and value of information-The demand for risky assets-Asset returns-Trade-off between risk and return.

Module-III Theory of production

Production function - Technological progress and production function -Linear homogeneous production function -Leontiff production function- Cobb-Douglas production function-CES Production function-Economies and diseconomies of scope-Dynamic changes in costs-The Learning curve.

Module-IV Theory of the firm

Monopolistic competition-Collusive and non-Collusive oligopoly-Models of Cournot, Bertrand, Chamberlin and Stackelberg-The kinked demand model-Cartels, Cartels for joint profit maximisation, Market sharing cartels-Price leadership, The model of low cost price leader, The model of dominant firm price leader, Barometric price leadership-The basing point price system, The single basing-point price system, The multiple basing point price system.

Module-V Theory of pricing

Basic assumptions of Neoclassical theory- Hall and Hitch report and the full cost pricing principle-Gordon's attack on marginalism- Model of average cost pricing-Limit pricing models-Bain, Sylos-Labini, Franco Modigliani, Bhagwati, Pashigian.

Suggested readings:

- Pindyck&Rubinfeld,(2006) Microeconomics, Pearson Prentice Hall
- A.Koutsoyiannis,ModernMicroeconomics,Macmillan Press Ltd
- Varian,H.R,(2010),Intermediate Microeconomics-A modern Approach,Norton,New York
- Dominic Salvatore(2006)Microeconomic Theory and applications,Oxford University Press
- Varian H.R.,(1992)Microeconomic Analysis,Norton,New York
- Donald Stevenson Watson,Malcom Getz,(2000)Price Theory and Its Uses,A.I.T.B.S.Publishers and Distributers,New Delhi
- Henderson,M and R.E.Quandt,Microeconomictheory:MathematicalApproach,McGraw Hill.

M.A.FINANCIAL ECONOMICS

Semester 1

Core Course II

FECO 1C 02 Macroeconomics and Finance (Credit 4)

Total Hours: 90
Lecture Hours:70
Seminar Hours:20

Module I: Micro Foundations of Monetary Theory

Classical dichotomy- Say's identity- Inconsistency between Say's law and the quantity theory of money- -Money illusion-Keynes effect and Pigou effect.

Module II: Demand for and Supply of Money

Demand for Money: The Neoclassical theory-Keynes liquidity preference theory-Friedman's restatement of the quantity theory of money- Baumol's inventory theory- Portfolio balance theory - Supply of money- Measures of money supply-The H theory of money supply- Money multiplier process-Behavioral and endogenous money supply models- Fisher effect.

Module III: Macroeconomic Equilibrium

Macroeconomic equilibrium analysis: One sector neo-classical model-One sector Keynesian model- Goods market and IS curve- Money market and LM curve- IS-LM general equilibrium- Neo-Classical and Keynesian versions-Neo-classical synthesis- Three sector IS-LM model

Module IV: Macroeconomic Policy

Macroeconomic policies- Objectives of macroeconomic policies-Target variable and instrument variable- Monetary Policy- Instruments- - Fiscal policy- Instruments-Policy lags- Inside and outside lags- Fiscal policy and budget deficit-Crowding out effect and government budget- Effectiveness of monetary and fiscal policy using IS-LM framework- Income policy- Stabilization policy

Module V: Economics of Financial Market

Introduction to Markets-Fundamentals of Market Structure - Dimensions of financial market- - market participants- Liquidity- elements of market mechanics Economic behaviour of financial markets: volatility, bubbles-Past, Present and future- Regulatory origins of the bubble-Foundations of Behavioural Finance and Financial Decision Making

Suggested readings:

- Gregory Mankiw (2008): Macro economics-WorthPublishersNY,6thed.
- Richard T Froyen(2005):Macro economics: Theories and Policies-Pearson(LPE),Seventhed.
- Brian Snowdown and Howard Vane(2005):Modern Macro economics: Its Origin, Development and Current State-
- Edward Elgarpub. ,Cheltenham ,UK .Northampton, MA,USA.
- Levacic, Rosalind and Rebman, Alexander (1982): Macro economics: An Introduction to Keynesian-Neo classical Controversies-2nded. Macmillan.
- Eric Pentacost: Macroeconomics-An Open Economy Approach-Macmillan.
- Scarth, W., Macroeconomics: An Introduction to Advanced Methods, third edition, Thomson, 2007
- Brian Snowdon and Howard R.Vane (Ed) (2003)
- RudigerDornbusch, Stanley Fisher and Richard Startz (2004) : Macroeconomics- Tata Mc Graw Hill,9thed.
- Economics of Financial Market: Roy E. Bailey
- Forbes William,(2011), Behavioural Finance Wiley-India Edition

M.A.FINANCIAL ECONOMICS

Semester 1

Core Course III

FECO 1C 03 Mathematics for Financial Economics (Credit 4)

Total Hours: 90
Lecture Hours:70
Seminar Hours:20

Module I : Graphs and functions

Different types of functions and its graphs, Constant Linear, Quadratic, Cubic, Polynomial, Exponential and logarithmic functions. Applications of linear functions in Economics-Matrices, determinants, solution of a system of equations - Inverse method and Crammer's rule – Rank of a matrix – characteristic equations and characteristic roots and vectors.

Module II : Differential Calculus

Functions, limit of a function, continuity of a function, Derivative of a function - Rules of Differentiation, Higher order derivatives, differentiation of logarithmic functions, exponential functions and implicit functions – Application of Derivatives – Meaning of a Derivative – rate of change – slope of a curve – Marginal concepts related to demand, supply, cost, revenue and production functions. Maxima and minima – Economic applications.

Module III: Functions of several variables

Functions of several variables - Partial differentiation –, Optimisation of Multivariable functions – constrained optimization with Lagrangian multipliers – Consumers and producers equilibrium using constrained optimization Differentials – Total and Partial derivatives – Total derivatives – Rules of integration – Definite integral, area under a curve –estimation of producers and consumers surplus.

Module IV: Differential and Difference Equations

First order Differential equations – Definitions and concepts, general formula for Differential equations – Economic applications – Differential equations for limited and unlimited growth - First order Difference equations – Solution of first order difference equations - General formula for First order Linear Difference equations, applications - stability conditions, Cobb Web model

Module V : Financial Mathematics

Arithmetic and geometric sequence and series- Simple interest, compound interest and annual percentage rates – Depreciation – Net present value and internal rate of return – Annuities, debit repayments, sinking funds – The relationship between interest rates and the price of bonds

Suggested readings

- Essential Mathematics for Economics and Business, TERESA BRADLEY and PAUL PATTON, Revised by Teresa Bradley, wiley student Edition Chapter – 2 and Chapter-4)
- Introduction to Mathematical Economics Edward T. Dowling Third Edition Chapter-8
- Taro Yamane: Statistics - An Introductory analysis, Harper & Row, Edition 3, 1973
- Hoel PG : Introduction to mathematical Statistics, John Wiley & Sons, Edition 4, 1971
- RGD Allen Mathematical Analysis for economics
- Tulsian, P.C and Vishal Pandey: Quantitative Techniques, Pearson Education, New Delhi
- S.P. Gupta: Statistical Methods, Sulthanchand and sons, New Delhi.
- Hooda R.P. Statistics for Business and Economics , Mac Million, New Delhi
- Alpha C Chiang: Fundamental methods of Mathematical Economics, 2nd Ed. – Inter National Student Edition, Mc Grawhill
- Edward T Dowling: Introduction to Mathematical Economics, Third Edition, Schaumn's outlines, Tata Mc Grawhill Publishing Co. Ltd, New Delhi.
- Sreenath Baruah: Basic Mathematics and its applications in Economics, Mc Millian India Ltd.
- Joseph K.X, Quantitative Techniques, CUCCS Ltd, Calicut University.

M.A.FINANCIAL ECONOMICS

Semester I

Core Course IV

FECO 1C 04 Basic Financial Economics (Credit 4)

Total Hours: 90
Lecture Hours:70
Seminar Hours:20

Module I: Financial System

Significance of Banking and Financial Institutions – structure of the Financial system – Theories of the impact of Financial Development – Financial innovations – Criterion to evaluate financial system – functions - Financial intermediaries

Module II: Financial Institutions

Commercial – Co-operative Banks – Non Bank Financial intermediaries – structure and growth – Hire purchase – Lease Finance, Housing Finance, Venture Capital, Credit rating agencies – Features –advantages of credit rating

Module III: Regulating Financial Institutions

Regulating and promotional institutions in Indian Financial system – Reserve Bank of India – Security and Exchange Board of India –NABARD – IRDA

Module IV: Financial Markets

Financial Markets – Call Money Market – Treasury Bills Market – Commercial Bills Markets, Industrial securities Market – Market for future – Need for future – pricing of future options – options –features of options – type of Financial derivatives – Features and benefits of derivative markets

Module V : Stock Market

Stock Exchanges – Role and functions – trading procedures and settlement – prohibited transactions – insider – dealing – market abuse – money laundering

Suggested readings:

- Fa bo 221, Modigliani, Franco Jones, Frank (2009) Foundations of Financial market and institutions – International Edition – 4th Edition, person, Higher education
- Eakins, Stanley G (2005) Financial Markets and Institutional (5th Edition) Addison We Sleg
- Goldstein, Morris (2006) Financial regulation after the subprime credit crisis, Washington, Peterson Institute (1996)
- Houthaker S, P J Williamson, Economics of Financial Merket, Oxford University Press
- Copeland TE, Weston J F (1992), Financial theory and corporate policy, Addison We Sleg.
- Mark Grinbalt, Sheridan Titman (2003), Financial Market and Corporate strategy TMH, New Delhi
- L M Bhole (2007) Financial Institutions and Markets, TMH New Delhi
- Sriram Khanna (2004) Financial Market in India and protection of inventors, New Century Publication
- Prasanna Chandra (2007) Managing Investment, TMH, New Delhi.

M.A. Financial Economics

SYLLABUS

Semester II

Core Courses

Core Course	Course code	Title of the Paper	Credit
1	FECO 2C 05	Microeconomic Theory and Applications	4
2	FECO 2C 06	Macroeconomic Theory and Policy	4
3	FECO 2C 07	Statistics for Financial Economics	4
4	FECO 2C 08	International Trade: Theory and Policy	4
5	FECO 2C 09	Techniques of Security and Portfolio Analysis	4

M.A.FINANCIAL ECONOMICS

Semester II

Core Course V

FECO 2C 05 Micro Economic Theory and Applications (Credit 4)

Total Hours: 90
Lecture Hours:70
Seminar Hours:20

Module I: Input-output analysis

Technical coefficients-Hawkin-Simon condition-Leontiff models.

Module II: Asymmetric information

Search cost- Adverse selection-The market for lemons-Moral hazard and Insurance Markets-Market signalling-The principal agent problem-Asymmetric information in labour markets-Efficiency wage theory.

Module III: Theory of Games

The Pay-off Matrix-Two- person zero sum game-Certainty model and Uncertainty Model-Non -zero- sum game-Nash equilibrium-Pure strategy-Mixed strategies-The Prisoner's dilemma.

Module IV: Linear programming problem

Statement of linear programming problem-Graphical solution-Simplex method -The dual problem and Shadow prices.

Module V: Welfare economics

Pareto optimality-Kaldor-Hick's compensation criterion-Bergson's criterion,Social welfare function-Maximisation of social welfare-Grand utility possibility frontier-Externalities-Production externalities-Tragedy of commons-Externalities and efficiency-Externalities and Property rights.

Suggested readings:

- Pindyck&Rubinfeld,(2006) Microeconomics, Pearson Prentice Hall
- A.Koutsoyiannis,ModernMicroeconomics,Macmillan Press Ltd
- Hall R.Varian,Intermediate Microeconomics-A modern Approach,Norton,New York
- Dominic Salvatore(2006)Microeconomic Theory and applications,Oxford University Press
- Hall R.Varian, Microeconomic Analysis,Norton,New York
- Donald Stevenson Watson,Malcom Getz,(2000)Price Theory and Its Uses,A.I.T.B.S.Publishers and Distributers,New Delhi
- DacostaG.C., Value and Distribution,Himalaya publishing House.
- Henderson,M and R.E.Quandt,Microeconomictheory:MathematicalApproach,McGraw Hill.

M.A.FINANCIAL ECONOMICS
Semester II

Core Course VI

FECO 2C 06 Macro Economic Theory and Policy
(Credit 4)

Total Hours: 90
Lecture Hours:70
Seminar Hours:20

Module I: Modern Developments in Macroeconomics

Monetarism- New Classical Macroeconomics: The New Keynesian School: Rational Expectations Hypothesis - Supply Side Economics- - Laffer Curve - Policy Implications.

Module II: Keynesian School

Neo-Keynesianism - Disequilibrium Models - R. W. Clower and Leijonhufvud – Dual Decision Hypothesis–Quantity Constrained Model of Malinvaud and Barro -

Module III: Behavioural Foundations of Macro Economics

Consumption Functions – Kuznet's Consumption Puzzle – Fisher's Model of Inter-temporal Choice-Relative Income Hypothesis – Life Cycle Hypothesis -Permanent Income Hypothesis. Investment Demand –Neo Classical, Keynesian, Theories of Investment- Present Value Criterion- MEC and MEI- Accelerator theory-Capital Stock Adjustment Principles- – Tobin's q-ratio.

Module IV: Theories of Inflation and Unemployment

Theory of Inflation and Unemployment - Classical, Keynesian and Monetarist Approach to Inflation – Structuralist Theory of Inflation – Phillips Curve – Short run and Long run Phillips Curve – The Natural Rate of Unemployment–NAIRU-Cost of Inflation- Anti-inflationary Measures.

Module V: Theories of Business Cycles

Business cycles- Monetary theory of Hawtrey- Over investment theory of Hayek- Innovation theory of Schumpeter- Models of Samuelson, Hicks and Kaldor-Keynesian theory of business cycle- The real business cycle theory- Political business cycle theory- Current global recession

Suggested Readings:

- Rosalind Levacic and Alexander Reibmann (2006): Macroeconomics: An Introduction to Keynesian-Neoclassical Controversies, MacMillan
- Brian Snowdon, Howard Vane and Peter Wynarczyk (2002): A Modern Guide to Macroeconomics: An Introduction to Competing Schools of Thought
- Lefteris Tsoulfidis (2010): Competing Schools of Economic Thought, Springer
- Ben J. Heijdra Frederick van der Ploeg (2002): Macroeconomics
- Gregory Mankiw, N (2010) : Macroeconomics , 7th Ed, Worth Publishers
- Yiannis P. Venieris and Sebold , Macro Economics : Model and Policy
- David Laidler – Demand for money
- Mark Blaug – Economic Theory in Retrospect
- Suraj B Gupta (Monetary Economics)

M.A.FINANCIAL ECONOMICS

Semester II

Core Course VII

FECO 2C 07 Statistics for Financial Economics (Credit 4)

Total Hours: 90

Lecture Hours:70

Seminar Hours:20

Module I: Probability and Probability Distributions

Concepts – Set theory, Permutations and Combinations, Definitions of Probability - classical, empirical and axiomatic approaches – Addition and multiplication laws, conditional probability – Bay's theorem, Random variables – probability distribution – Mathematical expectation – moments – Two random variables, joint, Marginal and conditional probability functions, expectation of two random variables.

Module II :Discrete and Continuous Probability Distribution

Probability Distributions - Discrete Probability Distributions, Binomial , Poisson, Uniform – simple applications. –Continuous probability distributions – Normal, Lognormal and Exponential Distributions (Derivations are not expected), concept of law of large numbers and Central limit theorem.

Module III: Theory of Estimation

Statistical Inference, Concept of population, sample – Sampling distributions – Standard error – Distributions of sample mean, Sample variance - chi square Student's t, and F distributions – Small and large sample properties of Z, t dt chi. Square and F – Estimations of populations parameters – point and Interval estimation – Fisher's properties of estimators – Confidence interval for Mean and Proportion and variance – Methods of estimation – Methods of least squares, Method of maximum likelihood.

Module IV: Testing of Hypothesis

Parametric and Non-parametric tests of Hypothesis, Testing of hypothesis – simple and composite hypothesis – Null and alternative hypothesis – Type I and Type II error, Critical region – Level of significance, Power of a test – Test procedure - Test of significance in respect of Mean, Proportion, Variance and Correlation coefficient and their differences – Chi Square test of goodness of fit, and test for independence of attributes.

Module V: Analysis of Variance

Analysis of Variance – Meaning, assumptions - One way classification and Two way classifications, simple applications.

Suggested Readings:

- Taro Yamane, Statistics: An Introductory analysis, Harper & Row, Edition 3, 1973
- Hoel PG: Introduction to mathematical Statistics, John Wiley & Sons, Edition 4, 1971
- YP Agarwal: Statistical Methods: Concepts, Application and Computation, Sterling Publishers 1986
- Sidney Siegal, N. John Castellan: Non parametric Statistics for behaviour Sciences, Edition 2, 1988, Mc Graw-Hill
- Tulsian, P.C and Vishal Pandey: Quantitative Techniques, Pearson Education, New Delhi
- S.P. Gupta: Statistical Methods, Sulthanchand and sons, New Delhi.
- Hooda R.P: Statistics for Business and Economics , Mac Million, New Delhi
- Alpha C Chiang: Fundamental methods of Mathematical Economics, 2nd Ed. – Inter National Student Edition, Mc Grawhill
- Edward T Dowling: Introduction to Mathematical Economics, Third Edition, Shaumn's outlines, Tata Mc Grawhill Publishing Co. Ltd, New Delhi.
- Sreenath Baruah: Basic Mathematics and its applications in Economics, Mc Millian India Ltd.
- Joseph K.X, Quantitative Techniques, CUCCS Ltd, Calicut University.

M.A.FINANCIAL ECONOMICS

Semester II

Core Course VIII

FECO 2C 08 International Trade: Theory and policy

(Credit 4)

Total Hours: 90

Lecture Hours:70

Seminar Hours:20

Module I : International Trade and Economic Development

Importance of trade to Development- Trade as an engine of growth – Import substitution versus export orientation- Export instability and economic development – Terms of trade and Economic Development.

Module II: Developments in Trade Theories

Demand and Supply in trade – Offer Curves and Terms of trade. Factor Endowment and factor intensity – Heckscher Ohlin Theory – Leontief Paradox- Factor Price Equalization Theory – Stolper Samuelson Theorem; Metzler Paradox; Economies of Scale and trade. Imperfect competition and trade: Product differentiation and trade: Technological gap product cycle theories – Firm Focused theories – the stage theory – resource exchange theory – network – theory – The Linder Theory

Module III :Economic Growth and International trade

Protrade, trade and neutral trade growth – Growth of factors of production – The growth and the Nations terms of trade and welfare - Rybczynski Theorem- Immiserising Growth – Dutch disease – Secular deterioration in terms of trade – the Prebisch – Singer Thesis – Reasons for secular deterioration in terms of trade – criticism of Prebisch- singer thesis.

Module IV: Trade policy and Economic integration

Non tariff barriers and New protectionism - Dumping and Antidumping duties; Exchange control: Export subsidies; Countervailing tariff; Voluntary Export Restraints; Technical (including health and safety) standards, Administrative and other regulations; Economic Integration – Theories of customs union; Trade creation and Trade Diversion:

Module V: International Economic Organisations

GATT, WTO, ASEAN, NAFTA, MERCOSUR, FTAA, SAARC, APEC, EU

Suggested Readings:

- Dominick Salvatore, International Economics seventh edition, (John Wiley and Sons) Chapter XI
- Joseph E Stiglitz and Andrew Charlton, Fair Trade for All: How Trade can Promote Development, (Oxford University Press), 2005 Chapters II
- Robert J Carbaugh, International Economics IXth Edition, (Thomson South – western), 2004 Chapters I
- Jagdish Bhagwati and Aravind Panagariya and T.N Srinivasan, Lectures on International Trade 2nd edition, (Oxford University Press), 2003
- Charles Van Marrewijk and Ottens, International Economics Theory, Application and Policy, (Oxford University Press), 2007 Chapters XIII.
- Giancarlo Gandolfo – International Trade, (Springer International Edition), 2006, Chapters X
- Denny's Apple yard, Alfred J. Field Jr (2015) International Economics, McGraw Hill Education.

M.A.FINANCIAL ECONOMICS
Semester II

Core Course IX

**FECO 2C 09 Techniques of Security and Portfolio
Analysis**

(Credit 4)

Total Hours: 90
Lecture Hours:70
Seminar Hours:20

Module I: Overview of Investment

Investment objectives, characteristics, avenues and policies - Time value for money- Financial market instruments-Money and capital market instruments-Mutual funds. Security markets- participants-IPO-Secondary markets-buying and selling of shares-buying on margin and short sale-how and where traded-G-Sec market-corporate bond-SEBI and future challenges.

Module II: Fixed income securities

Features- concept of yield-Yield to maturity-bond prices - types of risk-measurement of risk, risk-return relationship - passive and active strategy-investment management and risk avoidance techniques - arbitrage- hedging-use of credit rating information.

Module III: Mean Variance Portfolio Theory

Measuring portfolio risk and return, minimum variance portfolio, perfectly correlated assets, optimal portfolio choice, mean variance frontier of risky and risk free assets, effect of diversification.

Module IV: Index models, CAPM and APT

Models on asset returns-CAPM, APT and Fama-French. Capital market line-Security market line-efficient frontier, estimation of beta. Portfolio management- construction, evaluation and revision.

Module V : Technical Analysis

Charting, Different Charting Techniques, Dow Theory-Primary, Secondary and Minor trends, Wave Principle-Patterns and Indicators Moving Average-Relative Strength-Point and Figure Chart-Bar Diagram-MACD Neutral Analysis.

Suggested Readings:

- Francis, Jack Clark. Management of Investments, Mc Grow Hill International Edition
- Sharpe, William F. etc. Investments, New Delhi, Prentice Hall of India
- Bhalla, V.K. Investment Management: Security Analysis and Portfolio Management, New Delhi, S. Chand 2004
- Fisher, Donald E. and Jordan, Ronald J. Security Analysis and Portfolio Management, New Delhi, Prentice hall of India.
- Prasanna Chandra. Investment Analysis, TMH, New Delhi 2007
- Elton, E.J and M.J. Gruber, Modern Portfolio Theory & Investment Analysis, (fourth edition) John Wiley & Sons 1991.
- Houthakker, H.S. and P.J. Williamson, Economics of Financial Markets, Oxford University Press, 1996

M.A. Financial Economics

SYLLABUS

Semester III

Core Courses

Core Course	Course code	Title of the Paper	Credit
1	FECO 3C 10	Basic Econometrics	4
2	FECO 3C 11	International Finance	4
3	FECO 3C 12	Public Economics	4
4	FECO 3C 13	Advanced Financial Economics	4
5	FECO 3C 14	Economics of Banking and Insurance	4

M.A.FINANCIAL ECONOMICS
Semester III

Core Course X
FECO 3C 10 Basic Econometrics
(Credit 4)

Total Hours: 90
Lecture Hours:70
Seminar Hours:20

Module I: Single Equation Regression Models

Definition and meaning of Econometrics - Econometric model building – stages - Estimation of econometric models – Method of Ordinary Least Squares (OLS) - Assumptions of OLS - Properties of estimates – BLUE – Gauss Markov theorem – Estimation of parameters and its testing – Standard Error – Student's t test – Coefficient of determination (R^2) – Adjusted R^2 – F ratio - ANOVA - Extensions of Linear Regression model – Double log – Lin log – Log lin - Multiple Regression model - Estimation and testing, Multiple coefficient of determination (Matrix approach)

Module II: Econometric problems

Econometric problems: Multicollinearity – Auto correlation – Heteroscedasticity – (concept, causes, consequences, remedies in each case), Errors of measurement

Module III: Autoregression and Distributed Lag Model

Auto regressive and distributive lag models – Reasons for lags – Estimation of distributed lag models – Koyck approach – Almon's Polynomial model

Module IV: Dummy Variable Regression Models

Nature of dummy models – One dummy variable – Two dummy variables – Estimation of dummy variable model – Interpretation of dummy variable model – Dummy variable trap

Module V: Simultaneous equation models

Simultaneous equation bias – Identification problem – Rules of identification – Rank and order conditions – Estimation of simultaneous equation models – Recursive models – Method of Indirect Least Squares (ILS) - Method of Two Stage Least Squares (2SLS) – Method of Three Stage Least Squares (3SLS)

Suggested Readings:

- Christopher Dougherty, Introduction to Econometrics, Oxford University Press
- Damodar N Gujarathi, and Sangeetha, Basic Econometrics, Tata McGraw Hill
- A Koutsoyiannis, Theory of Econometrics, Palgrave
- Dilip M Nachane, Econometrics, Theoretical Foundations and Empirical Perspectives, Oxford University Press
- Green W H, Econometric Analysis Prentice Hall
- Johnston J, Econometric Methods, McGraw Hill
- L R Klein, Text Book of Econometrics, Oxford University Press
- L R Klein, Introduction to Econometrics, Oxford University Press
- Damodar N Gujarathi, Econometrics by Practice
- K X Joseph Basic Econometrics, Coop Society, University of Calicut
- Kerry Patterson, An Introduction to Applied Econometrics: a time series approach.
- Jeffrey M. Wooldridge, Introductory Econometrics: A modern Approach.

M.A.FINANCIAL ECONOMICS

Semester III

Core Course XI

FECO 3C 11 International Finance

(Credit 4)

Total Hours: 90

Lecture Hours:70

Seminar Hours:20

Module I: International monetary system

The gold standard – Brettonwoods conference and afterwards – functions of IMF and World Bank- optimum currency area – currency boards – advantages and disadvantages of currency boards – European monetary union – Euro – Euro enlargement – lessons and challenges .

Module II: Foreign Exchange Markets

Functions – types of exchange rates – Fixed – Flexible – spot and forward market- Foreign exchange risk – Hedging – Arbitrage – speculation – currency convertibility.

Module III: Exchange rate determination

Purchasing power parity theory – exchange rate overshooting – Financial Globalisation and exchange rate regimes – Real exchange rate dynamics in transition economics – the role of investment in quality.

Module IV: Balance of Payments

Equilibrium and disequilibrium – devaluation – elasticity and absorption approach – ‘j’ curve effect – fixed and flexible exchange rates – Financial Globalisation and exchange rate arrangements

Module V: International Financial Crisis

Definition- Sources of International Financial Crisis – Asian Crisis of 1997-1998 – Sub-prime crisis and the Global crisis of 2007 – Reforming the World’s Financial Architecture

Suggested Readings:

- Pilbeam, Keith (2006) ‘ International Finance , Palgrave, Macmillan, New York
- Salvatore Dominick ‘ International Economics, John Wiley and Sons
- Sercu Piet (2009) ‘ International Finance: Putting Theory into Practice” Princeton University Press, London.
- Bo Sodersten – and Geoffrey Reed (2003)- ‘ International Economics, Macmillan – London
- Paul Krugman and Maurice Obstfeld. ‘ International Economics, Theory and Practice, Pearson Education, Singapore.
- Thomas A. Pugel, (2004) International Finance, Macmillan
- Michael Melvin ‘ International Money and Finance, Addison Wesley.
- Hallwood C Paul Ronald Mac Donald , International Money and Finance, Blakwell publishing, 2009
- Maurisobstfeld and Kenneth Rogoff, Foundations of International Macro Economkics, Ist Edition, MIT Press, 1996
- Copeland, Lawrence S, Exchange rates and International Finance, 4th Edition Pearson Education Ltd, 2005.
- James Garben (2014) International Economics, 6th Edition, Pearson
- SjoerdBeuGISDIJKetal (2013), International Economics and Business Cambridgege.
- KlansLicbschersital (2008) currency and competitiveness in Europe. Edward Elgar publishing
- Dennis R Apple yard, Alfred J. Field (Jn) (2015) International Economics, 4.K. Mc Graw Hill Education.

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Semester III

Core Course XII

FECO 3C 12 Public Economics

(Credit 4)

Total Hours: 90
Lecture Hours:70
Seminar Hours:20

Module I: The role of Government in the national economy

Market failure and rationale for government intervention- public goods- club goods-- Mixed goods-Merit goods-Tiebout hypothesis-externalities-Fiscal functions– allocation, distribution and stabilisation functions-Provisions of public goods – Optimal provision of public goods-Samuelson solution and the Lyndhal Johanson solution.

Module II: Public revenue

Theory of tax – Partial and general equilibrium analysis -Tax revenue and non-tax revenue – Canons of taxation -Impact, shifting and incidence-Measuring the incidence – Traditional approach- Musgrave’s approach –GST.

Module III: Public expenditure and Public debt

Theories of public expenditure-Causes for the growth of public expenditure-Sources of public debt-Methods of redemption of public debt.

Module IV: Fiscal policy

Neutral finance-Compensatory finance – Functional finance – Balanced budget multiplier – Budgetary deficit and its measures-PPBS – Zero based budgeting - Recent Budget of Union Government of India.- A comparative analysis of Fiscal and Monetary policies.

Module V: Fiscal Federalism

Problems of Centre-State financial relation in India – Vertical and Horizontal imbalance in inter-governmental transfers in India –Powers and functions of Finance Commissions-Evaluation of recent Finance Commission report.

Suggested readings:

- Musgrave RA, Theory of Public Finance
- Due, John F and Fridlaender, Ann F (1973) Govt. Finance: Economics of the Public Sector, Richard Irwin
- Rangarajan C and Srivastava D K (2011) Federalism and Fiscal Transfers in India, Oxford university press, New Delhi
- Hyman, David N (1973), Economics of Govt. Activity, Holt, Rinehart and Winston Inc
- Musgrave RA and Musgrave PB (1989) Public Finance in Theory and Practice, McGraw Hill, New York
- Browning J M and Browning E K, Public Finance and the Price System, Macmillan, New York
- Sudipto Mundle, (1997), Public Finance: Policy issues for India, Oxford University Press, New Delhi.

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Semester III

Core Course XIII

FECO 3C 13 Advanced Financial Economics

(Credit 4)

Total Hours: 90
Lecture Hours:70
Seminar Hours:20

Module I: Future Contracts and Markets: Option Pricing Model

Forward and Future Contracts, European And American Options, Pricing of Futures, Swaps and Synthetic Futures Bounds for Option Prices, Put-Call Parity, Option Pricing- Binomial Approach and Black-Scholes, Option To Expand and Real Options.

Module II: Capital Structure Choice

The Traditional view, the Value of a Firm With Tax, Modigliani –Miller Irrelevance Hypothesis, Choices in Financing- Debt or Equity, Financing Mix and Trade off Theory, Signalling Hypothesis, Pecking Order and Agency cost.

Module III: Dividend Policy

Theories Of Dividend Policy- Walter's Model, Gordon's Model and Modigliani Miller, Optimal Dividend Policy-Practical Considerations, Stability of Dividends, Forms Of Dividend-Cash, Bonus Shares And Buy Back Shares.

Module IV: Market microstructure

Defining Capital Efficiency, Random Walk Hypothesis, Efficient Market Hypothesis- Weak, Semi-strong and Strong Empirical Models and Anomalies, Market Efficiency and Costly Information. Market Efficiency and Rational Expectations

Module V : Indian Capital Market

Value at Risk - Theory of Var and Estimation Techniques - Acquisition and Take overs- Theories of Merger - Indian Capital Market and Financial Sector Reforms

Suggested Readings:

- Copeland, T.E and J.F. Weston, Financial Theory and Corporate Policy. Addison Wesley, 1992.
- Hull.J. Options, Futures and other Derivatives, fifth edition, Prentice Hall, 2002.
- Brealey.R and S.Myers, Principles of Corporate Finance, fifth edition, New York, McGraw Hill, 1997.
- Panjer.H.H. Financial Economics: With applications to Investments, Insurance and Pensions, Actuarial Foundation, 1998.
- Houthakker.H.S and P.J.Williamson, Economics of Financial Markets Oxford University Press, 1996

M.A.FINANCIAL ECONOMICS
Semester III

Core Course XIV

FECO 3C 14 Economics of Banking and Insurance

(Credit 4)

Total Hours: 90
Lecture Hours:70
Seminar Hours:20

Module I: Overview of working of Commercial Banks

Types of Banks and their Functions: Scheduled banks, Commercial banks, Public sector banks, private sector banks, Local area banks, NBFCs, Mutually aided co-operative societies, Concepts of Retail Banking, Corporate Banking, (Wholesale Banking); SME Banking, Retail Loans segment and Requirements of SMEs, Rural Banking, Cooperative Banks, Nationalized Banks, RRBs, NABARD Micro Finance, Deposit Products - services rendered by Banks - Fixation of Bench mark Prime lending Rate; and New Base Rate Mechanism

Module II : Risk Management – Credit, Business and Market

Credit Risk: Factors of Credit Risk - Risk Mitigation, Basic Risk Management frame work. Credit Risk Management frame work – securitization, Credit derivatives, Operational risk and Integrated Risk Management – Banking Business Risk – Identification, Off-Balance Sheet Exposures, Risk Regulations in Banking , Basel I, II and III, Market Risk : Risk identification, Measurement, monitoring and control, reporting Managing Trading liquidity.

Module III: Principles of Insurance

Definition, Principles and relevance of Life insurance and General insurance: Types, principles, and growth, Credibility theory: approaches to credibility theory, credibility premium formulae and standard elementary models

Module IV: Insurance Pricing

Insurance cost and fair premium – Actuarial Science pricing techniques- individual risk theory and collective risk theory; financial pricing of Insurance - capital asset pricing model; present value model and option pricing model. Net premiums for insurance products and annuity schemes; automobile insurance, homeowners insurance, life insurance and annuities, employee benefits and group medical coverage, retirement plans.

Module V: Regulations of Insurance

The Indian Contract Act, 1872 – the Insurance Act 1938 – Provision of Indian Stamp Act - General Insurance Business (Nationalization) Act 1972 – Consumer Protection Act 1986 – Malhotra Committee Report – IRDA Act, 1999 Insurance Bill 2000

Suggested Readings:

- Contemporary Banking in India, Ed. Naina Lal Kidwai, 1st Ed. Business World.
- Machiraju, H. R. , Modern Commercial Banking ,New Age International, (2008)
- Sinkey, Joseph, Commercial Bank Financial Management , Prentice Hall; 6 edition (2002)
- Freixas, Xaviar, Microeconomics of Banking, 2nd Ed. MIT Press.
- Chorafas, Dimitris N., Handbook of Commercial Banking, Palgrave Macmillan. , (1998).
- Gup, Benton E. Kolari , James W., Commercial Banking: Management of Risk, Wiley; 3 edition (2004).
- Harrington and G. Niehaus, *Risk Management and Risk*, Tata McGraw-Hill, second edition, 2004.
- Rajeda, G. *Principles of Risk Management and Insurance*, eighth edition,
- Pearson Education, 2004. Harriett, E.J. and L.L. Dani, *Principles of Insurance: Life, Health, and Annuities*, second edition, Life Office Management Association, 1999
- Black, K. and H. Skipper, *Life and Health Insurance*, Pearson Education, thirteenth edition, 2004
- Baye, Jensen (1999), Money, Banking and Financial Markets : An Economic Approach : AITBS Publishers and Distributors, New Delhi
- Croushore, Dean (2007) – Money and Banking (A Policy Oriented Approach) Houghton Muffin Company, New York
- Howells, Peter and Bain Keith (2002) : The Economic of Money, Banking and Finance : A European Text Pearson Education Ltd.
- Pande, GS (2006) : Principles and Practice of Insurance, Kalyani Publications, New Delhi
- Singh Inderjit, Katyal, Rakesh (2006) : Insurance, Principles and Practices, Kalyani Publications, New Delhi

M.A. Financial Economics

SYLLABUS

Semester IV

Elective Courses

Core Course	Course code	Title of the Paper	Credit
1	FECO 4E 15	Applied Financial Econometrics	4
2	FECO 4E 16	Financial Engineering and Structural Finance	4
3	FECO 4E 17	Financial Modelling and Valuation	4
4	FECO 4E 18	Project Appraisal and Finance	4
5	FECO 4E 19	Corporate Finance and Capital Budgeting	4

M.A.FINANCIAL ECONOMICS

Semester IV

Core Course XV

FECO 4E 15 Applied Financial Econometrics

(Credit 4)

Total Hours: 90

Lecture Hours:70

Seminar Hours:20

Module I: Qualitative response models

Linear Probability model (LP) – estimation – Logit Model - estimation – Probit model – estimation – Tobit model – estimation – Limitations of qualitative response models

Module II: Time series econometrics

Basic ideas – Unit root – Trend Stationary and Difference Stationary – Tests of Stationary – Graphic Analysis – Auto Correlation function – Correlogram – Unit root test – Augmented Dickey Fuller test – Philip Perron test – Transforming non stationary process into stationary process – Co integrated regressions

Module III: Econometric Forecasting

Approaches to Econometric Forecasting – Single equation regression model forecasting – Simultaneous equation model forecasting – Box Jenkins Methodology – Auto Regressive model (AR model) – Moving Average model (MA model) – Auto Regressive Moving Average model (ARMA model) – Auto Regressive Integrated Moving Average model (ARIMA model) – Vector Auto regression model (VAR model) – Auto Regressive Conditional Heteroscedasticity model (ARCH model) – Generalized Auto Regressive Heteroscedasticity model (GARCH model)

Module IV: Panel Data Analysis

Panel Data analysis – Need of panel data – illustrations – Estimation of Panel Data Regression models – Random Effects Model (REM) – Fixed Effects Model (FEM) – Error Components Model (ECM) – Limitations of Panel Data Approach

Module V: Applications in Financial Economics

Econometric applications using Financial Economics Variables, Macro Econometric Models – Limitations of econometric approach – Future of econometric approach to Financial Economics

Note: Students are expected to familiarize with various computer packages and its applications for data analysis.

Suggested Readings:

- Christopher Dougherty, Introduction to Econometrics, Oxford University Press
- Damodar N Gujarathi, Basic Econometrics, Tata McGraw Hill
- Damodar N Gujarathi, and Sangeetha, Basic Econometrics, Tata McGraw Hill
- A Koutsoyiannis, Theory of Econometrics, Palgrave
- Dilip M Nachane, Econometrics, Theoretical Foundations and Empirical Perspectives, Oxford University Press
- Green W H, Econometric Analysis Prentice Hall
- Johnston J, Econometric Methods, McGraw Hill
- L R Klein, Text Book of Econometrics, Oxford University Press
- L R Klein, Introduction to Econometrics, Oxford University Press
- Damodar N Gujarathi, Econometrics by Practice
- K X Joseph Econometrics, Coop Society, University of Calicut

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Semester IV

Core Course XVI

**FECO 4E 16 Financial Engineering and Structural
Finance**

(Credit 4)

Total Hours: 90
Lecture Hours:70
Seminar Hours:20

Module I: Introduction

Role and Functions of Derivatives - Types of derivatives – Forward and Option Contracts. Overview of Derivative Instruments Exchange traded Products – Futures and Options on Future contracts Over the Counter products – Interest rate Swaps – Caps/floors, Currency swaps – Currency forwards – Currency Options

Module II: Pricing and Valuing Derivative Instruments

Pricing and valuing framework – Interest rates and yield curves – pricing forward futures contracts options pricing – Estimating volatility and correlation – Pricing currency and interest rate swaps – Swap Spreads

Module III: Equity Linked Structures

Equity Derivatives – Equity Futures – Equity Options/Warrants & Equity Swaps – Convertible Securities – Structured Convertible Securities – Equity Linked Notes – Equity Derivatives – Investor Applications – Equity Capital Management – Corporate Finance Applications of Equity Derivatives

Module IV: Commodity Linked Structure

Commodity Derivatives – Commodity Futures/Options – Commodity Swaps and Commodity Linked Notes – Energy (Oil, Natural Gas and Electricity) Markets. Commodity Derivatives – Metal Markets – Agricultural and Other Markets

Module V: Credit Derivatives

Credit Derivative Products – Credit Linked Notes/Collateralized Debt Obligations – Credit Derivatives/Default Risk – Pricing and Modelling – Credit Derivatives – Applications/Markets

Suggested Readings:

- Das, Satyajit, Structured Products, Vol.1 & 2, Wiley, (Latest Edition).
- Fabozzi, Frank J., Davis, Henry A., Choudhry Moorad (2006), Introduction to Structured Finance, Wiley Finance.
- Stefano, Caselli, Stefano, Gatti (2005), Structured Finance: Techniques, Products and Market, Springer.
- Arnaud de Servigny (2007), Jobst, Norbert (ed.), The Handbook of Structured Finance, McGraw Hill

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Semester IV

Core Course XVII

FECO 4E 17 Financial Modelling and Valuation

(Credit 4)

Total Hours: 90
Lecture Hours:70
Seminar Hours:20

Module I : Corporate Finance Models

Basic financial Calculations Present Value, Net Present Value, IRR and Multiple IRR, Discounting cash flows, Calculating Cost of Capital, Gordon Model, CAPM, Calculating Cost of Debt, Financial Statement Modelling, Sensitivity procedure, Project Finance Modelling Case study on Building a Model.

Module II: Portfolio Valuation

Introduction to portfolio models, Calculating efficient portfolios, Computing Variance Co-variance Matrix, Estimating Betas and Security Market Line, The single index model, Black Littermen approach to portfolio optimization, Event Studies

Module III: Option Valuation

Pricing options using binomial trees Programming Binomial Option Pricing in VBA, Log normal Distribution, The Black-Scholes-Merton Model – using VBA to define Black Scholes Pricing Function, Calculating Implied Volatility, Option “Greeks”

Module IV: Fixed Income Valuation

Discount factors, spot rates, forward rates, and yield to maturity, Modelling Term structure, Arbitrage and the Law of One Price, Hedging and immunization

Module V: Monte Carlo Methods and Value-at-Risk (VaR)

Monte Carlo Simulation of the Investment Problem, Using Monte Carlo Simulation for Option Pricing, Monte Carlo plain Vanilla Call pricing convergence to Black Scholes. Applied to stock, currencies, and commodities , Applied to linear and non-linear derivatives, and securities with embedded options , Structured Monte Carlo, stress testing, and scenario analysis, simulating data, Bootstrapping , Limitations as a risk measure , Coherent risk measures, Volatility Models

Suggested Reading

- Simon Benninga, Financial Modelling with Excel, 3rd Ed., MIT Press.
- Bill Dalton, Financial Products-An Introduction using Mathematics and Excel, Cambridge.
- Danielle Stein Fairhurst, Using Excel for Business Analysis: A Guide to Financial Modelling Fundamentals, Wiley Alastair Day, Mastering Financial Modelling in Microsoft Excel 3rd Edn: A Practitioner's Guide to Applied Corporate Finance (3rd Edition), FT Press, 2012.

.A.FINANCIAL ECONOMICS

Semester IV

Elective Course XVIII

FECO 4E 18 Project Appraisal and Finance

(Credit 4)

Total Hours: 90

Lecture Hours:70

Seminar Hours:20

Module I: An Overview of Project Finance

Introduction to project finance and overview of the project finance, market, project life cycle and its impact on the feasibility – Project identification and formulation – Different types of needs leading to different types of projects under BMRED (Balancing, Modernization, Replacement, Expansion and Diversification) – Considerations involved in decision under each of these types – Macro parameters in project selection – Different considerations for project under private, public and joint sectors – Project formulation: preparation of project profile, project report and detailed project report – Broad criteria for pre-investment decisions.

Module II: Project appraisal

Different types of appraisal – Technical, economic, organizational and managerial, commercial and financial – Financial techniques for project appraisal and feasibility – discounted cash flow and non-discounted cash flow methods – Social cost benefit analysis and economic rate of return – Non-financial justification of projects.

Module III: Project Administration

Progress payments – Expenditure planning – Project scheduling and network planning – Use of Critical Path Method (CPM) – Schedule of payments and physical progress – Time cost trade off – Cash flow preparing – Cash forecast and monitoring of fund and other resources – Control of groups of projects under one administration and associated problems in sharing resources.

Module IV: Project Financing

Pattern of financing – Sources of finance – Impact of taxation – Public loans – Small savings – Surplus of public enterprises – Deficit financing – Foreign aid – Public sector project financing – Role of tax planning in project financing – Syndication – Leverage Leases – Various debt instruments and innovative Structures – Equator principles – securitizing project loans – PPP Models of Project Finance – PPP models from Supply and Service Contracts – Management Agreements – Leasing, DBO, BOT, BOO, Privatization – Infrastructure Project Financing Case studies of projects: Hydro-electric project – Thermal-power Project – Irrigation Ports – Urban-Waste Management – Telecom sector.

Module V: Project Cost Systems and evaluation

Project cost accounting and monitoring – Appointment of contractor and its problems – Labour and equipment costs – Accounting – Codification – Development of cost data – Labour time – Reporting – Direct measurement of work quantities – Labour cost analysis – Equipment accounting – Activity-based cost accounting – Production rates for estimates – Control of cost – Computer application to cost control – Concepts and uses of Project Evaluation and Review Techniques (PERT) – Cost as a function of time – Project evaluation and reviews techniques/cost mechanisms – Accountant's role in project evaluation and review techniques/cost budgeting – Determination of least cost duration – Post project evaluation.

Suggested Readings:

- Finnerty, John D (2007), Project Financing: Asset Based Financial Engineering, 2nd Ed. John Wiley & Sons Inc.
- Chandra, Prasanna (2006), Projects: Planning, Analysis, Financing, Implementation, and Review, 6th Ed., Tata McGraw Hill.
- Nevitt, Peter K., Fabozzi, Frank J. (2000), Project Financing, 7th Ed. Euromoney Books.
- Benjamin, C. (2003), Modern Project Finance: A Casebook, John Wiley & Sons, Inc.
- Grundy, Tony (2003), Strategic Project Management, 1st ed. PA(I) Pvt. Ltd.

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Semester IV

Elective Course XIX

**FECO 4E 19 Corporate Finance and Capital
Budgeting**

(Credit 4)

Total Hours: 90
Lecture Hours:70
Seminar Hours:20

Module I : Introduction

Finance Manager's Role – Separation of Ownership and Management Objectives of the Firm and Corporate Governance – Financial Statements and Cash Flow – Financial Statements Analysis and Long-Term Planning

Module II: Working Capital Management

Working Capital Components – Leverage – Cash management – Receivables Management – Inventory Management – Financing Current Assets – Regulation of Bank Finance

Module III: Capital Budgeting

Measures of Investment - Choice Investment and Financing Decisions – Time Value of Money – Net Present Value – Internal Rate of Return – Discounted Payback Period – Cost of Capital – Selection of Criteria Risk, Return and Opportunity Cost of Capital Valuation of Bonds and Common Stock Scenario Testing and Sensitivity Analysis Strategy Investments – Practical Problems in Budgeting – Agency, Compensation and Performance Measure

Module IV: Patterns of Financing

Internal Funds – Common Stock – Debt – Financial Markets/Institutions – Issue of securities – Venture Capital – Initial Public Offering – Security Sales and Auctions – Private Placements and Public Issue Junk Bonds

Module V: Capital Structure & Financing of Long Term Capital

Planning Capital Structure – Capital Structure Choice Extended Probabilistic Analysis – Dividend Payout Policies – Share Valuation – Sources of Long Term Capital – Debt Securities – Debt Policy and Leverage Risk Management

Suggested Readings

- Ross, Stephen, Westerfield, Randolph, Jaffe, Jaffrey (February 2002), Corporate Finance, 6th Ed., McGraw-Hill Companies.
- Berk, Jonathan, and DeMarzo, Peter (2007), Corporate Finance, Pearson International.
- Brealey, R.A., Myers, S.C. and Allen, F. (2003), Principles of Corporate Finance, 7th Ed, McGrawHill.
- Copeland, T., Weston, F., and Shastri, K. (2004), Financial Theory and Corporate Policy, 4th Ed., Ne

***FORMAT OF THE MODEL QUESTION PAPER
MA FINANCIAL ECONOMICS (CCSS)
2018 ADMISSION ONWARDS**

Time : 3 hours

Max: 80 Marks

PART A

Answer all Questions

Each Question carries 1 mark

Multiple Choice Questions

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

(10 x 1 = 10 Marks)

PART B

Answer any five Questions

Each Question carries 2 marks

Very Short Answer Questions. Answer in one or two sentences each

- 11.
- 12.
- 13.
- 14.
- 15.
- 16.
- 17.
- 18.

(5 x 2 = 10 Marks)

PART C

Answer any 8 Questions

Each Question carries 5 marks

Short Answer Questions.

- 19.
- 20.
- 21.
- 22.
- 24.
- 25.
- 26.
- 27.
- 28.
- 29.
- 30.
- 31.

PART D
Answer any 2 Questions
Each Question carries 10 marks

Essay type Questions

- 32.
- 33.
- 34.
- 35.

(2 x 10 = 20 Marks)

*** The Model Question Paper in respect of each course containing questions will be provided later.**