ST. XAVIER'S COLLEGE (AUTONOMOUS), KOLKATA
UNDER UNIVERSITY OF CALCUTTA

POST GRADUATE DEPARTMENT OF COMMERCE (M. COM)
CURRICULUM- 2018-20

SEMESTER IV (Accounting and Finance)

<table>
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<th>Code</th>
<th>Subjects</th>
<th>Total Marks</th>
<th>Credit Points</th>
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<tr>
<td>AFDM 4451</td>
<td>Dissertation including presentation and Viva (Dissertation-100 + Viva-50)</td>
<td>150</td>
<td>9</td>
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<tr>
<td>SAPM 4401</td>
<td>Securities Analysis &amp; Portfolio Management</td>
<td>100</td>
<td>6</td>
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<tr>
<td>DRMM 4401</td>
<td>Derivative &amp; Risk Management and International Finance (50 + 50)</td>
<td>100</td>
<td>6</td>
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<td><strong>Total</strong></td>
<td></td>
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SECURITIES ANALYSIS & PORTFOLIO MANAGEMENT
PAPER CODE: SAPM 4401


3. **Fundamental analysis**: Economic analysis, industry analysis and company analysis.

4. **Valuation of securities**: preference shares, equity shares--Constant Growth model, Two-Stage Growth model, The Three-Phase Model, Valuation through P/E ratio. Free Cash Flow Valuation


**SUGGESTED READINGS:**
5. V. A. Avadhani, Investment and Securities Market in India, Himalaya Publishing House.
10. Sharpe, Alexander and Baily, Investments, PHI
DERIVATIVES AND RISK MANAGEMENT AND INTERNATIONAL FINANCE
PAPER CODE: DRMM 4401

MODULE: I

DERIVATIVES AND RISK MANAGEMENT
(50 marks)

1. Introduction
Derivatives – Meaning, Types, Uses, Dangers; Types of Traders - Hedger, Speculator, Arbitrageur; Derivatives Markets in India- Overview

2. Forward & Futures
Forward- Types, Pricing, Settlement, Arbitrage Argument; Futures-Types, Pricing, Settlement, Hedging with Commodity Futures, Arbitrage with Index Futures; Forward vs. Future contracts

3. Option
Types, Option Positions, Payoffs, Trading Strategies: – Covered, Combination, Spread; Properties of Stock Options- Option Pricing: Factor affecting Option Prices, Upper and Lower Bounds of Option Prices, Put-Call Parity, Effect of Dividends; Pricing- Risk Neutral Valuation, Binomial Model and Black-Scholes Model; Exotic Options.

4. Swaps
Types- Interest Rate Swap, Currency Swap and Equity Swap; Valuation; Risk Management with Swaps

5. Warrants & Convertibles
Concepts; Uses; Valuation

6. Managing Market Risk
Greeks – Delta, Theta, Gamma, Vega, Rho, Relationship between Delta, Theta and Gamma; Value at Risk – Concepts, Methods; Portfolio Insurance

8. Credit Risk and Credit Derivatives
Concepts, Types- Credit Default Swaps (CDS) and Collateralized Debt Obligations (CDO); Credit Default Swap- Indian Scenario

9. Other Derivatives
Commodity Derivatives; Interest Rate Derivatives and Euro Dollar Derivatives; Weather, Energy and Insurance Derivatives, Swaptions, Futures Option

10. Derivatives Mishaps and Learning
Lessons for users of derivatives in India and, Lessons for Financial and Non-Financial Corporations.

SUGGESTED READINGS:
2. N. R. Parasuraman, Fundamentals of Financial Derivatives, Wiley India
4. Rajiv Srivastava, Derivatives and Risk Management, Oxford University Press
MODULE: II
INTERNATIONAL FINANCE
(50 marks)

1. Introduction:
International Business and its Modes, Multinational Corporations, Domestic Financial Management & International Financial Management

2. International Monetary and Financial System:
History of Monetary System—Gold standard, Gold exchange standard, Bretton woods system and Post Bretton woods system, IMF and the World Bank; European monetary system - Meaning and scope, recent developments

3. Balance of Payments and International Linkages:
Balance of payments and its components; International flow of goods, services and capital; Coping with current account deficit

4. Exchange Rate Mechanism:
Definition of Foreign Exchange; Exchange Rate Quotation: Two Way Quote; Buying/Selling (Bid/Offer or Ask) Quotes and Spread; Direct and Indirect Quotes; Inverse Quote; Inter Bank and Merchant Rates; TT, Bill, TC, Cash/Currency Rates; Value/Settlement Date; Cash/TOD, TOM; Cross Rates; 2 Point and 3 Point Arbitrage; Exchange Arithmetic Nominal, Real and Effective Exchange Rates; Determination of Exchange Rate in Spot market and Forward Market; Factors Influencing Exchange Rate; Fundamentals of Central Bank Intervention; Demand and Supply of Foreign Exchange; Purchasing Power Parity; Effect of Inflation; Fisher’s Equation; Interest Rate Parity; Covered Interest Arbitrage;

5. Foreign Exchange and Derivatives Markets:
Foreign Exchange Market – Features, Participants, Cash, Spot and Forward Market; Volume of Transactions; Merchant and Speculative Transactions; Regulator; FEMA; Authorized Dealers; FEDAI; OTC Market; Telephonic Market; Round the Clock Market; Brokers; Voice Box; Settlement Process and Settlement Risk; Back Office; Currency Futures Market, Currency Option Market

6. Foreign Exchange Risk Management:
Transaction exposure, Translation exposure and Operating exposure; Management of Exposure: Hedging of Transaction, Translation and Operating Exposure

7. International Investment Decisions:
Foreign Direct Investment, International Capital Budgeting, International Portfolio Investment

8. International Financing Decisions:
International Financial Market and Instruments, Multinational Cost of Capital and Capital Structure, International Banking, Financial Swaps
9. **International Working Capital Management:**
Financing Foreign Trade, Current Asset management, Financing Current Assets

10. **International Transfer Pricing:**
Concepts and Application

**SUGGESTED READINGS:**

3. V. Sharan, International Financial Management, PHI