

Syllabus template

Semester: VI	
Course : ECONOMICS	
Paper Title: FINANCIAL ECONOMICS	
Paper code: C3EC230641T	Credits: 4
Hours/week :	4
Category: Core/MDC/SEC/VAC :	Core
Theory / Practical / Composite :	Theory
No of Modules :	2
<p>Course Overview: This course provides an advanced understanding of corporate finance and financial markets, emphasizing how firms formulate investment, financing, and dividend decisions within an increasingly globalized financial environment. It integrates key theoretical frameworks such as the Modigliani–Miller theorem, Pecking Order theory, and the Capital Asset Pricing Model (CAPM) with practical tools of capital budgeting, cost of capital estimation, and financial ratio analysis. The course further explores the structure and functioning of financial markets, the use of derivative instruments, and the far-reaching implications of financial globalization and crises. Special attention is given to concepts like asymmetric information, agency costs, and modern banking theories, including the Klein–Monti model. By blending theory with empirical application, the course equips students with strong analytical and evaluative capabilities to make sound financial decisions and critically interpret complex market dynamics.</p>	
Course Outcome:	
<ol style="list-style-type: none"> 1. Remember: Identify and recall fundamental concepts, theories, and models of corporate finance and financial markets 	
<ol style="list-style-type: none"> 2. Understand: Explain and interpret the fundamental concepts and frameworks of corporate finance and financial markets, and demonstrate an understanding of how financial decisions, market dynamics, and global interconnections influence organizational performance and economic stability. 	
<ol style="list-style-type: none"> 3. Apply: Financial and quantitative techniques are applied to evaluate investment, financing, and risk management decisions, utilizing financial statements, valuation models, and derivative instruments to assess corporate performance and optimize financial strategies. 	
<ol style="list-style-type: none"> 4. Analyze: Assess the effects of financial structure, agency costs, and information asymmetry on firm behavior, and examine how market imperfections and macro-financial linkages contribute to financial instability. 	
<ol style="list-style-type: none"> 5. Evaluation: Evaluate and appraise alternative financial and policy strategies in terms of their impact on value creation, risk management, and market stability, and formulate reasoned judgments on investment performance and financial governance 	

in a global context.

6. Create: Design and formulate integrated financial strategies and policy frameworks that synthesize theoretical insights and empirical evidence to address emerging challenges in corporate finance, risk management, and global financial stability.

Prerequisites: *Basic knowledge about any prior course*

SYLLABUS

UNIT/Module	CONTENT	HOURS or NUMBER OF CLASSES	CO Mapping	COGNITIVE LEVEL
I.	Capital Structure and basic concepts – Modigliani-Miller theorem and the financial structure puzzle; Corporate tax and personal tax; Limits to debt and cost of financial distress; Pecking order theory.	5	CO1 CO2 CO3 CO4 CO5 CO6	KI,K2,K3,K4.K5,K6
II.	Capital budgeting - Net Present value approach; Payback period method; Discounted payback period method; Internal rate of return; Profitability index; Financial statement and Ratio analysis; term structure of Interest rate, spot rate and Yield to maturity; Weighted average cost of capital and dividend growth model	6	CO1 CO2 CO3 CO4 CO5 CO6	KI,K2,K3,K4.K5,K6
III.	Financial Globalization and Financial Crisis Financial Markets and Instruments: An Introduction: Dimensions of financial crisis- a historical overview; Problem of asymmetric information- adverse selection and moral hazard in financial markets; Financial acceleration hypothesis; International crises - Policies and Prevention	5	CO1 CO2 CO3 CO4 CO5 CO6	KI,K2,K3,K4.K5,K6
IV.	Corporate financing and Agency cost – The role of net worth and credit rationing; Debt overhang; Borrowing capacity; The equity multiplier.	5	CO1 CO2 CO3 CO4 CO5 CO6	KI,K2,K3,K4.K5,K6
V.	Capital Asset Pricing Model – Market Equilibrium; Capital market line; The Pricing model; The Security market line; Investment Implications; Performance Evaluation; CAPM as a Pricing Formula	5	CO1 CO2 CO3 CO4 CO5 CO6	KI,K2,K3,K4.K5,K6

VI.	Derivative markets: Introduction to Forwards, Futures, Options and Swap	5	CO1 CO2 CO3 CO4 CO5 CO6	KI,K2,K3,K4.K5,K6
VII.	Modern theories of banking – A model of perfect competition: The Klein-Monti model of monopolistic bank.	4	CO1 CO2 CO3 CO4 CO5 CO6	KI,K2,K3,K4.K5,K6
Text Books				
1. J. C. Hull. Options, Futures and Other Derivatives, Pearson Education, 2014.				
2. J. Tirole, The theory of Corporate finance, Princeton University Press.				
3. R.A. Brealey and S.C. Myers: Principles of Corporate Finance. McGraw Hill/ Irwin,2007.				
4. S. Kevin. Portfolio Management; Prentice Hall India, 2006.				
Suggested readings				
1. D.Luenberger, Investment Science				
2. Stephen Ross, Randolph Westfield, Jeffrey Jaffe, Corporate Finance, McGraw-Hill Education				
Web Resources				
1.				
2.				
3.				
4.				
Evaluation: Continuous Internal Assessment: 30 marks End- Semester Theory Examination: 70 marks				
Paper Structure for Theory Semester Exam Module: For each module of 35 Marks: 15 Marks from 5 marks questions (3 out of 4) 20 Marks from 10 marks questions (2 out of 3)				

Course outcomes (COs) and Cognitive Level Mapping

COs	CO Description	Cognitive levels
CO1	Remember: Identify and recall fundamental concepts, theories, and models of corporate finance and financial markets	K1
CO2	Understand: Explain and interpret the fundamental concepts and frameworks of corporate finance and financial markets, and demonstrate an understanding of how financial decisions, market dynamics, and global interconnections influence organizational performance and economic stability.	K2

CO3	Apply: Financial and quantitative techniques are applied to evaluate investment, financing, and risk management decisions, utilizing financial statements, valuation models, and derivative instruments to assess corporate performance and optimize financial strategies.	K3
CO4	Analyze: Assess the effects of financial structure, agency costs, and information asymmetry on firm behavior, and examine how market imperfections and macro-financial linkages contribute to financial instability	K4
CO5	Evaluation: Evaluate and appraise alternative financial and policy strategies in terms of their impact on value creation, risk management, and market stability, and formulate reasoned judgments on investment performance and financial governance in a global context.	K5
CO6	Create: Design and formulate integrated financial strategies and policy frameworks that synthesize theoretical insights and empirical evidence to address emerging challenges in corporate finance, risk management, and global financial stability.	K6