

Financial Economics

1. Understand the Modigliani-Miller theorem and its implications for capital structure decisions.
2. Analyze the impact of corporate and personal taxes on capital structure choices.
3. Evaluate the limits to debt financing and the costs associated with financial distress.
4. Explain the Pecking Order Theory and its implications for corporate financing decisions.
5. Assess the role of net worth and credit rationing in corporate financing and the concept of debt overhang.
6. Calculate borrowing capacity and understand the equity multiplier in capital structure decisions.
7. Apply the principles of Industrial Organization approach to banking and analyze models of perfect competition and monopolistic banks.
8. Analyze various capital budgeting techniques such as Net Present Value, Payback Period, Discounted Payback Period, Internal Rate of Return, and Profitability Index.
9. Interpret financial statements and ratios to make informed investment decisions.
10. Understand the term structure of interest rates, spot rates, and yield to maturity in bond valuation.
11. Calculate the Weighted Average Cost of Capital and apply the Dividend Growth Model in valuation.
12. Apply the Capital Asset Pricing Model to determine market equilibrium, the Capital Market Line, the Security Market Line, and investment implications.
13. Evaluate the use of derivatives such as Forwards, Futures, Options, and Swaps in managing financial risk and investment portfolios.

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