

BA II Year	BEC-S301: Financial Economics		Semester 3
Marks Allotted for Internal Assessment	Marks Allotted for End Semester Examination (ESE)	Maximum Marks	Total Credits
30	70	100	4
<p>Learning Outcomes: Student will be able to</p> <ul style="list-style-type: none"> • Classify various assets on the basis of their specific profile. • Apply utility theory to describe and analyze investment or saving decisions. • Evaluate some basic models used to benchmark valuation of assets and derivatives. • Describe the concept of equilibrium asset pricing. • Understand the processes involved in corporate finance. 			
Unit 1	DETERMINISTIC CASH-FLOW STREAMS: Basic theory of interest; discounting and present value; fixed-income securities; bond prices and yields; spot rates and forward rates.		
Unit 2	SINGLE-PERIOD RANDOM CASH FLOWS: Random asset returns; portfolios of assets; portfolio mean and variance; feasible combinations of mean and variance; mean-variance portfolio analysis		
Unit 3	CAPM: The capital asset pricing model; the beta of an asset and of a portfolio; use of the CAPM model in investment analysis		
Unit 4	OPTIONS AND DERIVATIVES: Introduction to derivatives and options; forward and futures contracts; forward and future prices; option markets; call and put options; the principle of arbitrage		
Unit 5	CORPORATE FINANCE: Patterns of corporate financing: common stock; debt; preferences; corporate debt and dividend policy		
<p>Suggested Readings:</p> <ul style="list-style-type: none"> • David G. Luenberger, Investment Science, Oxford University Press, USA, 1997. • Thomas E. Copeland, J. Fred Weston and Kuldeep Shastri, Financial Theory and Corporate Policy, Prentice Hall, 4th edition, 2003. • Stephen A. Ross, Randolph W. Westerfield and Bradford D. Jordan, Fundamentals of Corporate Finance. McGraw-Hill, 7th edition, 2005. • Burton G. Malkiel, A Random Walk Down Wall Street, W.W. Norton & Company, 2003. • William Sharpe, Gordon Alexander and Jeffery Bailey, Investments, Prentice Hall of India, 6th edition, 2003. 			

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