



# INDIAN INSTITUTE OF MANAGEMENT KOZHIKODE

## Post Graduate Programme in Management Course Outline

<b>Course Code and Course Title</b>	PGP Financial Markets and Instruments
<b>Course type</b>	Compulsory
<b>Pre-requisites (if any)</b>	NIL
<b>Course Credit</b>	2
<b>Total no. of sessions</b>	16
<b>Session Duration</b>	75 mts
<b>Term</b>	I
<b>Year and Batch</b>	1 <sup>st</sup> Year 2019-20, PGP23
<b>Sections (if any)</b>	A, B, C, D, E, F, G, and H

<b>Instructor(s)</b>	Profs. Ramkumar Kakani, Qambar Abidi, Sony Thomas and S S S Kumar
<b>Contact Details</b>	
<b>Office</b>	
<b>Consultation Hours</b>	

### Introduction

This is your gateway to the world of finance essentially focusing on the investments from a corporate's perspective. A thorough grounding is provided to understand the sources of capital and mechanisms for raising the capital, comprehend the nature and characteristics of different financial instruments, the markets where they trade and finally looking at their valuation. The objective of the valuation exercises in the course is limited to the extent of preparing the participants to estimate cost of capital, which is a key ingredient to valuing real investments and capital projects that will be taken up in the following course during Term 2.

### Learning Outcomes/Course Objectives

The aim of this course is to impart the skill-set required to make the investment decisions.

After completing the course the participants will be able to:

1. Appreciate the sources of capital, financial markets and instruments.
2. Understand the investment decisions of the firm
3. Comprehend the risk and return trade-offs in financial investments

### Textbooks and Learning Materials –

#### *Text Books*

1. Essentials of Investments by Bodie, Kane Marcus [BKM] (Recommended)

### **Readings**

Time Value of Money by Timothy A. Luehrman – HBS publication  
Pub Date: Dec 22, 2015  
Product #: 8299-PDF-ENG

### **Reference Books**

1. Corporate Finance by Aswath Damodaran
2. Corporate Finance by Ross, Westerfield and Jaffe
3. Principles of Corporate Finance by Brealey, Myers and Allen

### **Technology and Software**

MS Excel will be used extensively

### **Other Resources (Journals, Internet Websites) (if any)**

1. McKinsey Quarterly
2. Financial Analysts Journal
3. Journal of Portfolio Management

The following web sites will aid in your understanding of the course as well as the markets:

1. [www.sebi.gov.in](http://www.sebi.gov.in)
2. [www.rbi.org.in](http://www.rbi.org.in)
3. [www.nseindia.com](http://www.nseindia.com)
4. [www.bseindia.com](http://www.bseindia.com)

### **Pedagogy – Learning Process**

The pedagogy is a two-phase model – concept discussion session followed by a session that makes you put to use the concepts by working out exercises and caselets. Past students' experience indicate that doing problems soon after the material is covered in class is the best way to learn finance. The problems and exercises that will be used in the class are graded according to level of difficulty but are taken from the books mentioned in the references list.

### **Evaluation Components/Assessment of Student Learning**

<b>Evaluation Component /Assessment Tool</b>	<b>Percentage</b>	<b>Description (How students are assessed on Learning objectives)</b>
Quizzes and Class tests	25%	These components are required to check and evaluate the students' understanding of concepts and application of appropriate tools and techniques.
Assignments and submissions	10%	Students are expected to work in teams as it would provide diverse perspectives on business problems
Mid term	30%	These components are required to check and evaluate the students' understanding of concepts and application of appropriate tools and techniques.
End term	35%	These components are required to check and evaluate the students' understanding of concepts and application of

		appropriate tools and techniques.
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## Session Plan

Session	Module	Topic	Chapter No. / Reading material / Cases
1	1	Sources of capital and financial markets	Chap 1 of BKM
2, 3, 4		Asset classes and instruments	Chap 2 of BKM
5	1	Time value of money	Reading: Time Value of Money by Timothy A. Luehrman
6	1	TVM – Annuities	
7	1	TVM – Multi-period compounding	
8	1	TVM - applications	
<b>Mid term examination</b>			
9, 10	2	Bond prices and yields	Chap 10 of BKM limited to 10.1, 10.2, 10.3 and 10.4 only
11,12,13	2	Bond duration and interest rate risk	Chap 11 of BKM limited to 11.1
14,15,16	2	Equity valuation	Chap 13
<b>End Term Examination</b>			

### Additional Instructions (if any)

All the exams, quizzes and class tests will be closed book type, unless stated otherwise. Quizzes may be announced or unannounced and End term examination will be based on the entire course topics not just post mid term.