



# INDIAN INSTITUTE OF MANAGEMENT KOZHIKODE

## Post Graduate Programme in Management

### Course Outline

<b>Course Code and Course Title</b>	PGP107 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 2020-21, PGP24
<b>Sections (if any)</b>	G and H

<b>Instructor(s)</b>	<a href="#">Ram Kumar Kakani</a>
<b>Contact Details</b>	+91-495-2809-421; 421 (intercom)
<b>Office Room</b>	304 i.e., Block 3, Room 04
<b>Consultation Hours</b>	You're welcome, to raise your queries (via email)

#### 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 Reference Books

##### *Text Books*

1. Principles of Corporate Finance by Brealey, Myers and Allen (International Ed.)(BMA)
2. Financial Management, Theory and Practice by Prasanna Chandra(PC)

##### *Reference Books*

1. Corporate Finance by Ross, Westerfield and Jaffe
2. Essentials of Investments by Bodie, Kane Marcus
3. Corporate Finance by Aswath Damodaran
4. Time Value of Money by Timothy A. Luehrman – HBS publication

**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)
5. Government & other related: [Ministry of Company Affairs](#) / [Ministry of Finance](#)
6. Financial Magazines/Newspaper: [Business Standard](#), [Hindu Business Line](#), [Financial Express](#), [Livemint](#); [Wall Street Journal](#), [Financial Times](#), [Business Today](#), etc.
7. 'Investors/Shareholders Section' of Companies: e.g. [Infosys](#), [Reliance Inds](#) & [Tata Steel](#).

### **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. Active participation by students is an important feature of the course. Class discussions and continuous group assignments are important tools.

### **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 (best 3 out of 4)	30%	These components are required to check and evaluate the students' understanding of concepts and application of appropriate tools and techniques.
Individual problem set submissions and Class participation#	35%	These components are required to check and evaluate the students' understanding of concepts and application of appropriate tools and techniques. In few submissions, students may be expected to help each other and work in teams as it would provide diverse perspectives on business problems
End term	35%	These components are required to check and evaluate the students' understanding of concepts and application of appropriate tools and techniques.

Note: # in online classes, class participation will be measured through the quality and quantity of participation in the chat mode

### **Grading Pattern\***

*Grading pattern is subject to the compliance with Institute's norms (and will adhere to the same).*

**In case of non-objective questions/assessments:** *I am no God (i.e., perfect) and therefore there are bound to be 'errors' in estimating the true worth of your answers (and hence, evaluation). However, I promise, evaluation will be unbiased. Also, the 'errors' (if any) should cancel out over the length of the evaluation cycle.*

## Session Plan

Session	Module	Topic	Chapter No.
1	1	Sources of capital and financial markets	Chapter 17(PC)
2, 3, 4		Asset classes and instruments	Chapter 18(PC)
5	1	Time value of money	Chapter 2(BMA)
6	1	TVM – Annuities	
7	1	TVM – Multi-period compounding	
8	1	TVM – applications	
9, 10	2	Bond prices and yields	Chapter 3.1(BMA)
11,12,13	2	Bond duration and interest rate risk	Chapter 3.2(BMA)
14,15,16	2	Equity valuation	Chapter 4(BMA)
<b>End Term Examination</b>			

Note:

- ◆ *The above sequence is tentative (and would be altered based on initial class experience).*
- ◆ *Additional lecture sessions & even guest lectures by practitioners could be arranged on request.*
- ◆ *Class discipline rules include – (a) No usage of any electronic items that could disturb others in the classroom; and (b) PowerPoint presentations & Excel Sheet: If used, Session-wise Pdf files would be e-mailed after the session.*

### 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.