

## GENERIC ELECTIVES (GE-6): INTRODUCTION TO FINANCE

### CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES OF THE COURSE

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/ Practice		
Introduction to Finance (GE6)	4	3	1	0	Class 12	None

#### Learning Objectives

This course aims at providing a comprehensive introduction to:

- Financial system and its primary constituents.
- Sources of finance and time value of money.
- Basics of Investment and various asset classes.
- Key concepts of international financial management.

#### Learning outcomes

By studying this course, students will be able to:

Understand the meaning, scope and sources of Finance

- Estimate the present and future values of assets
- Examine the relationship between risk and return, and the nature and sources of risk in a stock market context
- Analyse the currency exchange market to deal exchange rate risk.

#### SYLLABUS OF GE-6

##### **UNIT – I: A Primer on Financial Markets & Institutions (9 hours)**

An overview of financial system: characteristics & requirements. Components & functions of financial system. Financial markets: characteristics & types. Types & role of Financial Institutions. An overview of the 2007–2008 Financial Crisis.

##### **Unit 2: Corporate Finance: An Overview (12 hours)**

Nature, scope and objectives of Finance, Emerging role of Finance Managers in India and Agency problem. Concept & Meaning of Financial Management, goals of financial management, the three financial decisions- Investing, Financing & Dividend.

Sources of Finance: Equity & Preference Capital, Retained earnings, Debt, Bonds, Long term loans, Short term advances from banks, public deposits & advances from customers and trade creditors.

Concept of Time Value of Money, Compound Value, Present Value, Annuity and Perpetuity.

##### **Unit 3: Investment Management: Basics & Process (15 hours)**

An overview of investment- Investment process, Types of assets- real & financial. Types of investors, types of financial securities & attributes of a good investment.

Concept of Risk & Return (Single asset), risk-return trade off, types of risk- systematic & unsystematic, types of return-holding period return, expected return, actual return.

Examining four broad asset classes: equity, bonds, mutual funds & derivatives.

Equity- three schools of thought on equity valuation- a brief discussion on fundamental analysis, technical analysis and efficient market hypothesis.

Bonds- types, fundamentals, relationship between interest rates & bond prices& yield curve.  
Mutual Funds- meaning, importance, structure, mutual fund schemes, Systematic Investment Plan (SIP), Systematic Withdrawal Plan (SWP), Exchange Traded Fund (ETF), Equity Linked Savings Scheme (ELSS) and NAV of Fund.  
Derivatives - Meaning and Types of Derivative Instruments (Forwards, Futures, Options and Swaps).  
Concept of diversification & portfolios.Portfolio Risk & Return(two security only).

#### **Unit 4: A Beginners' Guide to International Finance (9hours)**

International Monetary System- development of international finance and how the international monetary system evolved. Currency exchange markets and rates- currency exchange markets, exchange rate quotations, currency exchange rate appreciation and, depreciation, factors that affect currency exchange rates and arbitrage. Conducting business internationally. Concept of exchange rate risk.

#### **Essential/recommended readings**

1. Bodie, Zvi., Kane, Alex and Marcus, Alan J.. Investments. McGraw Hill.
2. Chandra, P.. Security Analysis and Portfolio Management. Tata McGraw Hill.
3. Pathak, Bharati. Indian Financial System. Pearson.
4. Ronald, W. Melicher and Norton, Edgar A.. Introduction to Finance: Financial Markets, Investment, and Financial Management. Wiley Publishing House. 2012.
5. Rustagi, R.P., Fundamentals of Financial Management. Taxmann.

#### **Suggestive readings**

1. Khan, M. Y & Jain P. K., Financial Management: Text and Problems. Tata McGraw Hill. New Delhi.
2. Kohn, Meir. Financial Institutions and Markets. Oxford University Press.
3. Kidwell, David S., Backwell, David W., Whidbee, David A. and Sias, Richard W. Financial Institutions, Markets and Money. Wiley Publications.
4. Madura, Jeff. Financial Markets and Institutions. South Western Cengage Learning.
5. Reilly, Frank K, and Brown, Keith C. Investment Analysis and Portfolio Management. Cengage Learning.

**Note: Examination scheme and mode shall be as prescribed by the Examination Branch, University of Delhi, from time to time.**