

GENERIC ELECTIVES (GE-5): ESSENTIALS OF FINANCIAL INVESTMENTS

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
		Lecture	Tutorial	Practical/ Practice		
Essentials of Financial Investments (GE-5)	4	3	1	0	Class XII Pass	Nil

Learning Objectives

The Learning Objectives of this course are as follows:

- To familiarize students with the essential concepts and fundamentals of financial investments.
- The course will enable them to understand and make informed choice about the various available financial investment alternatives.

Learning Outcomes

On successful completion of his course, the students will be able to:

- Understand the fundamentals of financial investments and the investment decision process.
- Able to compute various measures of risk and return, and understand their role for evaluating investments.
- Understand and carry out security analysis using different approaches.
- Learn basic approaches to valuation of securities and carry out portfolio analysis.

SYLLABUS OF GE-5

Unit 1: Investments – An Overview

(9 Hours)

Concept of Investment, Financial Investment Vs. Real Investment, Investment Vs Speculation, Objectives of Investment, Risk Return Trade Off, Investment Environment – Overview of Securities Market and Different Types of Financial Investment. Investment Decision Process, Direct Investing Vs Indirect Investing, Approaches to Investing – Active Vs Passive. Diversification, Hedging and Arbitrage.

Unit 2: Risk – Return Analysis

(9 Hours)

Concepts of Return and Risk, Types of Return - their Calculation & Utility: Absolute Return, Average Return, Expected Return, Portfolio Return, Holding Period Return, Effective Annualized Return, Risk-Adjusted Return. Causes (or Sources) and Types of Risk – Systematic and Unsystematic Risk, Calculation of Total, Systematic and Unsystematic Risk. Impact of Taxes (discuss relevant provisions of Income Tax Act, 1961) and Inflation on Investment – Computation of Post Tax and Real Returns.

Unit 3: Security Analysis**(15 Hours)**

Approaches to Security Analysis – Fundamental Analysis, Technical Analysis, and Efficient Market Hypothesis (EMH). Fundamental Analysis – EIC Framework, Economic Analysis, Industry Analysis, and Company Analysis. Technical Analysis – Basic Tenets of Technical Analysis, Tool of Technical Analysis – Charts, and Technical Indicators, Limitations of Technical Analysis. Difference between Fundamental Analysis and Technical Analysis. Efficient Market Theory (EMH) – Concept, Forms of Market Efficiency, Weak Form Hypothesis, Semi Strong Form, and Strong Form of Market Efficiency. Implications of EMH.

Unit 4: Fundamentals of Valuation and Portfolio Analysis**(12 Hours)**

Valuation of Equity Shares – Peculiar features of Equity Shares, Dividend Discount Model, Relative Valuation - Earning Multiplier or Price-Earnings (P/E) Model and Price to Book Ratio; Capital Asset Pricing Model (CAPM) – its assumptions and limitations. Valuation of Fixed Income Securities – Bond Fundamentals, Types of Bonds, Determination of Bond Prices and Bond Yield. Portfolio Analysis – Portfolio Management Process, Portfolio Analysis – Portfolio Risk, Portfolio Return, Markowitz Model.

Practical component (if any) - NIL**Essential/Recommended Readings:**

1. Tripathi, Vanita: Security Analysis and Portfolio Management. Taxmann Publications.
2. Chandra, Prasanna: Investment Analysis and Portfolio Management. McGraw Hill Education.

Suggested Readings:

1. Rustagi, R.P., Investment Management. Sultan Chand Publications.
2. Reilly, F. K. & Brown, K.C. Analysis of Investments and Management of Portfolios, Cengage India Pvt. Ltd.

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