



RV Institute of Management
Bangalore

Course Docket

4th Semester MBA

INTERNATIONAL BUSINESS DYNAMICS

Subject Code 4.1

Affiliated to

Bangalore Central University

Subject taught by

Dr. Maruthi Ram.R

Dr. Anupama Malagi

Prof. Anitha D'Silva

2017 – 2018

**The articles and the reading materials contained in this docket are for class
room discussions only**



Rashtreeya Sikshana Samithi Trust

R V Institute of Management

CA – 17, 36th Cross, 26th Main, 4th T Block Jayanagar, Bangalore – 41

Course	MBA programme
Batch	2016-2018
Semester	IV
Subject Name	International Business Dynamics Subject Code 4.1
Credits	4 credits per week
Total hours	40 sessions
Course Instructors	Dr. Maruthi Ram.R Dr. Anupama Malagi Prof. Anitha D'Silva

Part A

Introduction

“A Merchant has no nation” is a popular saying. In line with this we have a popular quote from our scriptures called ” Vasudhaiva Kutumbakam” meaning whole world is a family. So also all the popular adjectives “Global Village” “Global Hut” etc. In this context the subject “International Business Dynamics” plays a vital role in bringing in-depth knowledge about integration of economics. International Business concerns those firms that do not restrict their processes to a single state or populace. International business dissects the reasons for the existence of firms engaged in International business, how they flourish in the intricate and unpredictable international environment, and what their undertakings mean for the countries in which they do business. Culture, language, political systems, geography, and socio-economic factors all influence a company’s business practices. Therefore, expanses of study comprise of the challenges of managing international companies, whether enormous or diminutive; the rudiments of strategic management; cross-cultural management; globalization; and the regulation and politics of international business.

Students who aspire to intensify their understanding of global markets need to study international business, since it delivers insights into the global economic and business climates. International business studies encompass topics across countries beyond boundaries.

Course Outcomes

After the successful completion of the course students will be able to ...

- CO1: Understand some business organizations and how they operate in an international environment, Cross cultural management
- CO2: Recognise impact of international influences on overall business and conflict management.
- CO3: Understand the significance of trade blocks, WTO and strategic
- CO4: Demonstrate the increased confidence level the ability to take up a career in international business.
- CO5: Get ready for the future challenges in the globalised economy, strategic issues and technology transfers.

Module wise key concepts:

Module - 1

- Domestic and international business
- Organisation Competitive advantage
- International Business environment
- Cross cultural management
- Demographic and Economic environment
- levels of culture,
- models to aid international managers

Module – 2

- Routes of globalization,
- Modes of International Business-Organizing international business
- factors influencing choice of a design,
- Issues in organization design.
- Conflict management, reconciliation, adjudication and arbitration issues,
- Supporting Institutions, Negotiations.

Module – 3

- WTO and its functions
- International Strategic alliance
- Regional Trade Blocks, Integration between countries,
- Levels of integration and impact of integration.

Module – 4

- Theories of global trade
- Exim trade policy
- Exim Bank functions
- Comparative advantages
- FDI in world economy

Module – 5

- Corporate Social responsibility
- Global Ethics
- National difference in Ethics
- Global E-business
- E-commerce in India

Module -6

- Global Operations management
- Strategic issues in Operations management
- Technology transfers
- Issues arising in technology transfers

Module wise outcomes

Module 1

MO 1 To identify the difference in domestic and international business.

MO 2 To demonstrate the use of International environment in Business.

Module 2

MO3 To recognize the Globalization routes

MO4 To prepare the students to understand International Conflict management

Module 3

MO 5 To recognize the World trade organization and its importance

MO6 To illustrate the trade blocks and their uses.

Module 4

MO7 To understand global trade theories

MO8 To evaluate Foreign direct investment and its significance

Module 5

MO 9 To define and illustrate the Global business ethics

MO 10 To create awareness about E-commerce

Module 6

MO11 To identify the Competitive advantages of global operation management

MO12 To analyse the technology transfers & devise methods to understand Contemporary issues in Global marketing

Pedagogical Methods and Tools

- Lecture method and activity based learning
- PPTs
- Classroom discussions and interactions
- Videos of eminent speakers and experts from the field
- Multimedia case presentations,
- Group and individual Presentations
- Mini projects

Course Evaluation Plan

Sl.No.	Criteria	Weightage
1	Attendance	5
2	Internal Exam	5
3	Assignment	10
4	Mini Project	10

Text Books

1. Francis Cherunilam; International Business, Prentice Hall Of India, 5th Edition,
2. Charles Hill, International Business, McGraw-Hill-Irwin, 9th Edition, 2012.

3. P. Subba Rao , International Business, Himalaya Publications, 2nd Edition
4. John Daniels, Lee Radebaugh and Daniel Sullivan, —International Businessll, Prentice Hall,13th Edition, 2010

Books to be referred

1. Shyam Shukla, International Business, Excel Books
2. Andrew Harrison Et Al; International Business; Oxford, 2006
3. Richard M Hodgetts And Fred Luthans, —International Managementll, McGraw-Hill, 5th Edition, 2003
4. Anant K Sundaram &J Stewart Black, The International Business Environment, Prentice Hall Of India, 1998

Course facilitator details

Name: Dr. Maruthi Ram.R

Designation: Professor

Mobile No.: 9008101983

E-Mail ID: maruthiramramaswamy.rvim@rvei.edu.in

dr.rmram@gmail.com

Name: Dr. Anupama Malagi

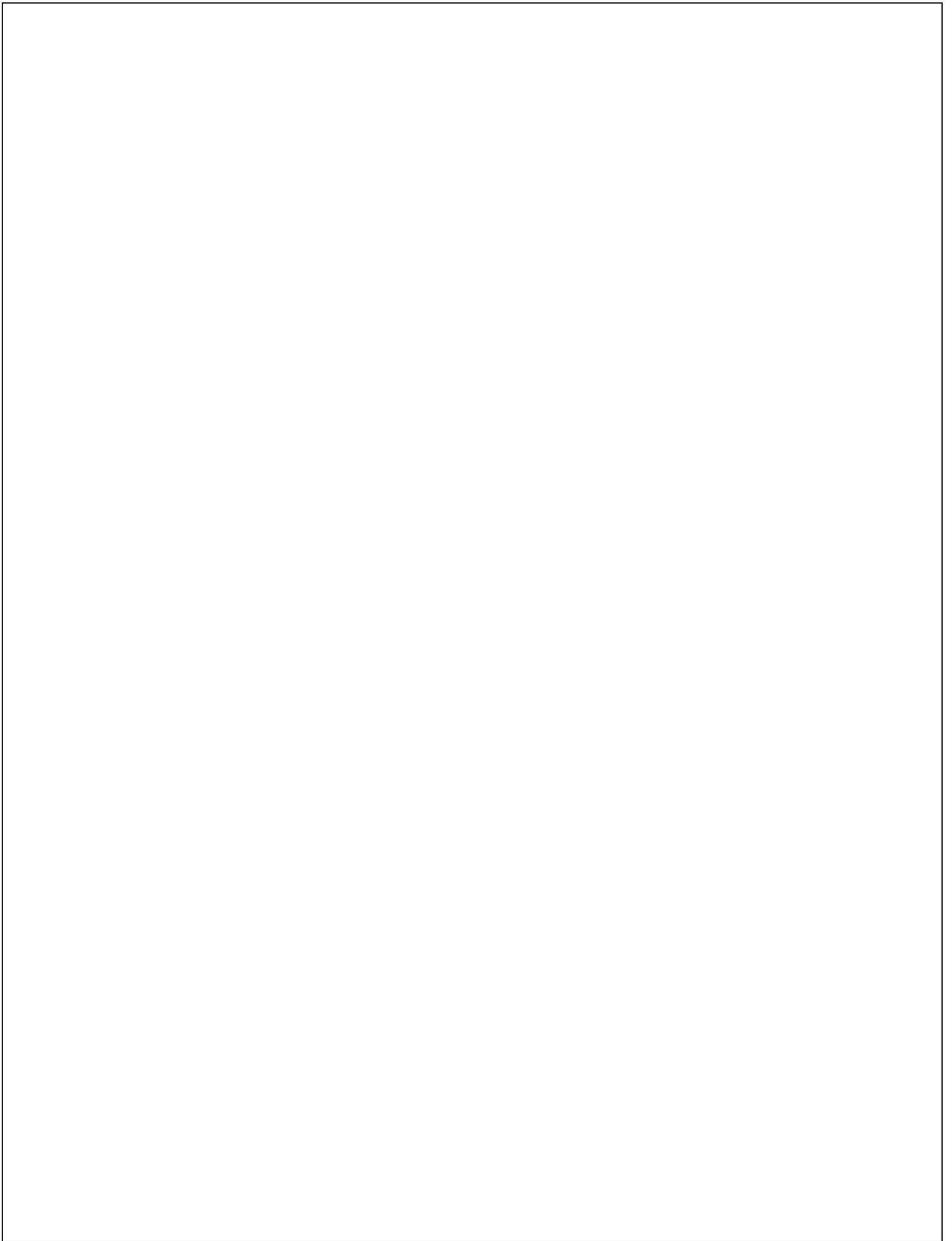
Designation: Associate Professor

Mobile No : 9448079735

Name: Dr. Anitha D'Silva

Designation: Senior Asst. Professor

Mobile No : 9742278574



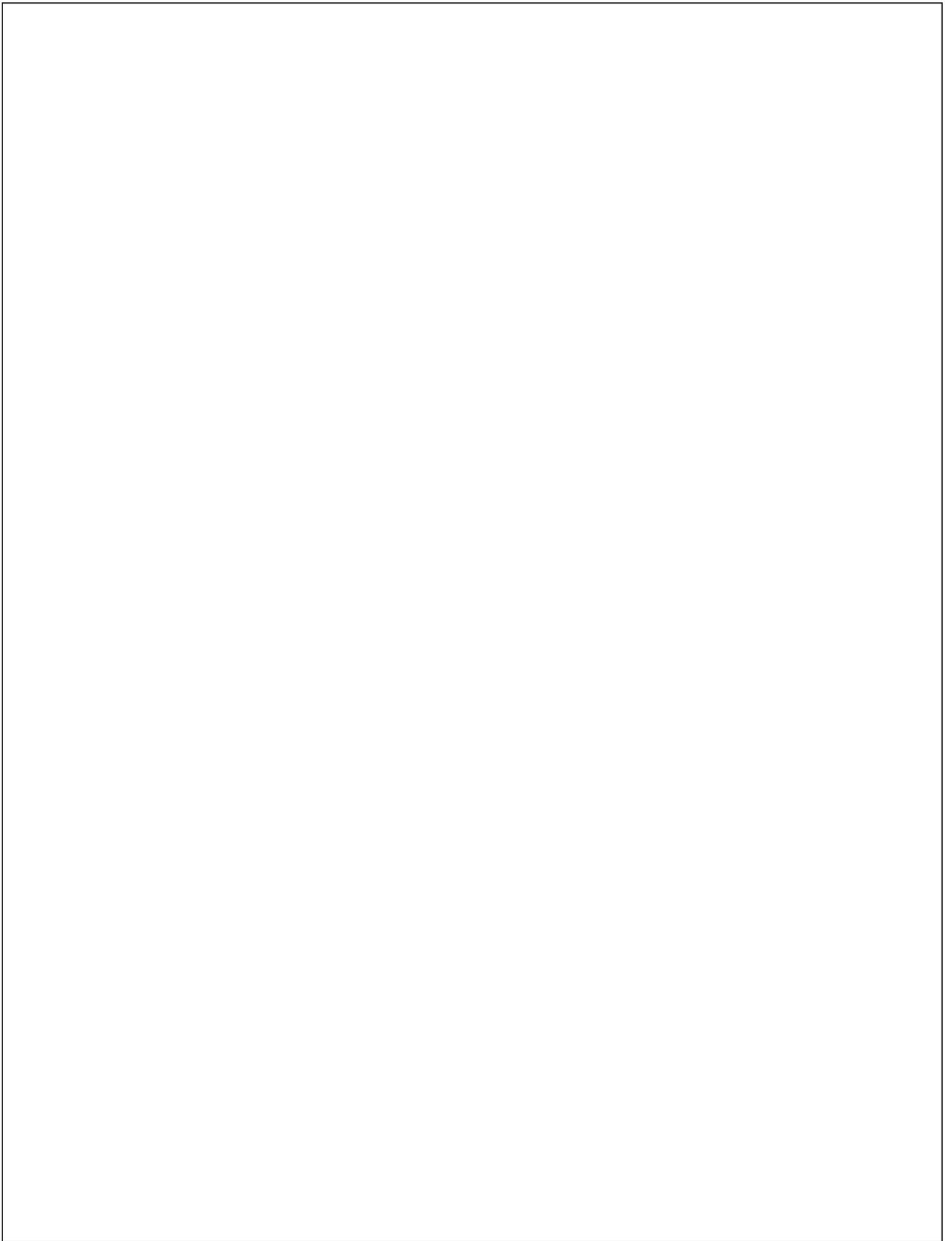


Part B Session Plan

Session Nos	Coverage to the	Pedagogy / Activity	Chapter of the book & supplementary reading	Assignment
1	Module 1: Introduction of domestic and global business, Evolution, Drivers and Challenges of IB as compared to Domestic Business	Lecture PPTs Classroom discussions	Book 1 Chapter 1 Book 2 Chapter 2 Article 1: Cultural Differences Are More Complicated than What Country you're from By Andy Molinsky January 14, 2016 Harvard Business Review	
2	National and organizational competitive advantage over the world			
3	Active players in multinational business.			
4	The International environment of IB - Political, Legal,			
5	Technological, Cultural, Demographic and Economic environment			
6	Cross-cultural management			
7	levels of culture, models to aid international managers			
8	Module 2: Globalization, Routes of globalization	Lecture PPTs Classroom discussions Case: Dispute Settlement between Developing Countries: Argentina and Chilean Price	Book 1 Chapter 12 Book 2 Chapter 6 Article 2: Globalization and its Impacts on the World Economic Development International Journal of Business and Social Science Vol. 2 No. 23, 2011	
9	Modes of International Business-Organizing international business			
10	international designs, factors influencing choice of a design			

11	Issues in organization design. Conflict management	Bands		
12	adjudication and arbitration issues			
13	Supporting Institutions, Negotiations.			
14	Module 3:WTO And Trading Blocks	Lecture PPTs Classroom discussions Case: Case: Cross-Cultural Management	Book 1 Chapter 5 Book 2 Chapter 7 Article 3: The social responsibility of international business: From ethics and the environment to CSR and sustainable development	
15	WTO and LPG policies			
16	Its Implications on India— Regional Trade Blocks			
17	Integration between countries			
18	Levels of integration and impact of integration. International strategic alliances			
19	Nature, benefits, pitfalls, scope, how to make alliances work			
20	Module 4: Global Trade And Investment - Theories of global trade and investment	Lecture PPTs Classroom discussions Case:	Book 1 Chapter9 Book 2 Chapter 5	Assignment 1 “Social responsibility/ Ethical issues/ Best practices”
21	Mercantilism, theory of absolute advantage, theory of comparative advantage			
22	factor endowment theory, product life cycle theory, Porter’s national competitive advantage.			
23	FDI- in World Economy, horizontal and vertical FDI, benefits of FDI to home and Host Country			
24	FDI- Indian Scenario. EXIM TRADE- Export and Import financing			
25	Export marketing, EXIM policy, Balance of payments			

26	Roles of Institutions connected with EXIM trade.			
27	Module 5: Global Ethics And E-Commerce	Lecture PPTs Classroom discussions Case:	Book 1 Chapter 22 Book 2 Chapter 13	Mini Project ➤ International Business Environment ➤ Impact Of Culture On Employees And Business
28	Social responsibility and ethical issues in international business			
29	national differences in ethics and social responsibility			
30	codes of conduct for MNC's			
31	Global E-Business, Conceptual Analysis			
32	Advantages and Disadvantages of E-Business			
33	E-Commerce in India.			
34	Module 6: Global Business Operations	Lecture PPTs Classroom discussions Case:	Book 1 Chapter 27 Book 2 Chapter 18	
35	Global- Operations management and competitive advantage, strategic issues in operations management			
36	Manufacturing Management, Logistics Management and Procuring, Technology transfers – issues arising out of technology transfers			
37	Issues arising out of technology transfers. Marketing Management, benefits of international markets			
38	major activities in international marketing Human Resource Management			
39	Approaches, Expatriation and Repatriation Process, Training, Compensation, Industrial Relations			
40	Revision			



PART B
SESSION PLAN

Session No.	Coverage of the Key Concepts		Pedagogy/ Activity	Reading Material to be Referred
1	Introduction to the subject and syllabus			
2	Module 1: Introduction to Investments	<p>Introduction & Definition of Investment</p> <p>Financial and economic meaning</p> <p>Investment Objectives</p> <p>Objectives: Return, risk, liquidity, safety and inflation</p> <p>Investment constraints: Liquidity, Age, Need for regular income, Time horizon, Risk tolerance, Tax liability</p> <p>Investment Attributes</p> <p>Process of investment:</p> <ol style="list-style-type: none"> 1. Investment Policy 2. Security Analysis 3. Valuation 4. Portfolio Construction 5. Portfolio Evaluation <p>Types of investors</p>	<p>Lecture</p> <p>Class Room Discussion</p> <p>Understanding the concept with real time data</p>	<p>Chapter 1 of Book 1</p> <p>Chapter 1 of Book 2</p>

	<ul style="list-style-type: none"> Equity Mutual Funds 	<p>Equity – Types and suitability Mutual Funds – Types and benefits</p>		Chapter 2 & 3 of Book 2
6	<ul style="list-style-type: none"> Life Insurance Real estate, gold, silver 	<p>Life Insurance – Types and merits Real estate, gold, silver – Market operation and Current Market scenario</p>	<p>Lecture Class Room Discussion Understanding the concept with real time data</p>	Chapter 2 of Book 2
	<ul style="list-style-type: none"> Derivatives 	<p>Meaning, types of financial derivatives, benefits and suitability: Forwards Futures Options: Put option & Call option Micro & Macro factors relating to investment</p>	<p>Lecture Class Room Discussion Understanding the concept with real time data</p>	Chapter 2 of Book 2
7-8	Module 2: Risk and Return	<p>Introduction, Meaning and Classification of Risk</p> <ul style="list-style-type: none"> Systematic & Unsystematic risk <p>Statistical Tools used in risk measurement</p> <ul style="list-style-type: none"> Standard deviation Variance Coefficient of variation Beta 	<p>Lecture Class Room Discussion Problems Practical exercises using real time data Case Study: When risk isn't bad?</p>	<p>Chapter 9 of Book 1 Chapter 5 of Book 2 Chapter 1 of Book 3</p>

9	Return Measurement	Concept of Return. Measurement of Return; Relative Return, Expected value and measuring Return over multiple periods	Lecture Class Room Discussion Problems Understanding the concept with practical exercises using real time data	Chapter 11 of Book 1 Chapter 5 of Book 2
10	Risk Measurement	Problems on risk and return	Problems	
11-13	About Stock Market	Primary Market – IPO, Book Building Secondary Market Trading Procedure & Settlement Process Market Indices	Lecture Class Room Discussion Understanding the concept with real time data	Presentation Material www.bseindia.com www.nseindia.com
14-16	Module 3: Security Analysis Fundamental analysis	<ul style="list-style-type: none"> • Sources of information on investment • Stock selection Fundamental analysis <ul style="list-style-type: none"> • Economic analysis • Industry analysis – Porter’s Model of Industry Analysis • Company analysis – Analysis of Financial & Non-financial factors 	Lecture Class Room Discussion Understanding the concept with real time data	Chapter 12 of Book 1 Chapter 15 & 16 of Book 2 Chapter 14 of Book 3

			Project based Learning Fundamental Analysis for Investment Decisions on Five Major Banks	
17	Technical analysis	<ul style="list-style-type: none"> • Basic tenets and Premises of Technical Analysis • Dow theory • Elliott wave theory 	Lecture Class Room Discussion	Chapter 13 of Book 1
18-19	Technical analysis	Price and volume charts Price pattern analysis Market indicators <ul style="list-style-type: none"> • Support & Resistance level • Relative Strength Index • Technical indicators • Moving average • Charting Techniques 	Lecture Understanding the concept with real time data Workshop: hands on experience	Chapter 17 of Book 2
20	Efficient Market Hypothesis	Technical Analysis Vs Fundamental Analysis. Efficient Market Hypothesis Forms of Market Efficiency: Weak form of EMH Semi-strong form of EMH Strong form of EMH Market Inefficiencies	Fundamental Versus Technical Analysis Of Investment: Case Study of Investors Decision in Indonesia Stock Exchange Lecture Class Room Discussion	Chapter 14 of Book 1 Chapter 10 of Book 2 Chapter 6 of Book 3

			Article: Testing of Efficient Market Hypothesis: a study on Indian Stock Market	
21	Module 4: Portfolio Analysis and Management	<p>Meaning and objectives of portfolio construction</p> <p>Portfolio Risk and Return</p> <p>Diversification and Portfolio Risk; Measurement of Portfolio Risk and Return:</p> <p>Elements of Portfolio Management, Portfolio Analysis & Portfolio Selection</p>	<p>Lecture</p> <p>Class Room Discussion</p> <p>Project based Learning</p>	<p>Chapter 16 of Book 1</p> <p>Chapter 8 & 20 of Book 2</p>
22-25	Portfolio Models	<p>Markowitz model</p> <ul style="list-style-type: none"> • Assumptions & concept • Efficient frontier 	<p>Lecture</p> <p>Class Room Discussion</p> <p>Portfolio Selection: Harry Markowitz</p> <p>Understanding the concept with real time data</p> <p>Problems</p>	<p>Chapter 17 of Book 1</p> <p>Chapter 8 of Book 2</p> <p>Chapter 7 of Book 3</p>
26-28	Sharpe Single Index Model	<p>Sharpe Single Index Model- Concept of alpha and Beta</p> <p>Corner Portfolio, Portfolio Risk-Return, Portfolio optimization & selection</p>	<p>Lecture</p> <p>Class Room Discussion</p> <p>Understanding the</p>	<p>Chapter 18 of Book 1</p>

			<p>concept with real time data</p> <p>Construction of Optimal Portfolio of Equity, Using Sharpe's Single Index Model: A Case Study of IT Sector</p> <p>Problems</p>	
29-31	Module 5: Capital Market Theory	<p>CAPM</p> <ul style="list-style-type: none"> • Assumptions & concept • Capital Market Line (CML) • Security Market Line (SML) 	<p>Lecture</p> <p>Class Room Discussion</p> <p>An Empirical Testing of Capital Asset Pricing Model in India</p> <p>Understanding the concept with real time data</p> <p>Problems</p>	<p>Chapter 19 of Book 1</p> <p>Chapter 9 of Book 2</p> <p>Chapter 8 of Book 3</p>
32-33	Arbitrage Pricing Theory	<p>Building of Arbitrage Portfolio</p> <p>Return Generating process</p> <p>Factor Model</p>	<p>Lecture</p> <p>Class Room Discussion</p> <p>Problems</p>	<p>Chapter 19 of Book 1</p> <p>Chapter 9 of Book 2</p> <p>Chapter 9 of Book 3</p>

34-36	MODULE 6: Performance Evaluation and Revision of Portfolios	Portfolio Evaluation <ul style="list-style-type: none"> • Sharpe's Performance Index • Treynor's Performance Index • Jensen's Performance Index 	Lecture Class Room Discussion Problems	Chapter 20 of Book 1 Chapter 20 of Book 2 Chapter 26 of Book 3
37		Evaluation of Mutual Fund - NAV method	Lecture Performance Evaluation of Mutual Fund in India (A Case Study on SBI Mutual Fund) Problems	Class Material
38	Portfolio Revision	Investment Timing, Formula Plans Constant Dollar Value Plan	Lecture	Chapter 21 of Book 1
39	Portfolio Revision	Constant Ratio Plan, Variable Ratio Plan Orientation to Examination	Lecture	Chapter 21 of Book 1
40	Conclusion			

Course Docket

4.2.1: INVESTMENT ANALYSIS AND MANAGEMENT

Term – IV Semester

Batch - 2016-18

February 2018 – June 2018

Course Facilitator

Prof. Gowrisha



R V INSTITUTE OF MANAGEMENT BANGALORE

COURSE OUTLINE

Programme	MBA
Batch	2016-18
Semester	IV Semester, Section B & C
Course Title	Investment Analysis & Management
Course Code	4.2.1
Credits	4
Sessions	1 ½ Hours (40 Sessions - 60 Hours)
Course Facilitator	Prof. Gowrisha

PART A

INTRODUCTION

The objective of this course is to introduce and to familiarize the student with basic concepts of investment analysis and portfolio management. The course gives a fair coverage of various tools and techniques to facilitate the managers in managing their investment portfolio. Two broad decisions have been taken by any investors: allocation of the total investment in available asset classes and how to select the assets within asset classes for investment. The decision of allocation and selection of investment assets is based on the trade-off between risk and return, availability of the risk mitigating tools and investment horizon with other parameters.

The aim of the course is to provide the theoretical foundation of the subject with the implications in the real world. The course will help the students in developing skills required to analyse various investment factors and market, conduct assessment of business organisations, select investment avenues and manage portfolios. Learning from this course will helps them to decide on their investment as investor as well as take-up career in Investment Management.

COURSE OUTCOMES

On completion of the course, the student will be able to -

CO1. Understand the concept of investment and how to define investment goals and constraints

CO2. Identify and assess attributes of different investment alternatives with suitable criteria

CO3. Understand market dynamics, stock trading and learn the application of security analysis tools and techniques

CO4. Measure the risk and return of individual security and portfolio

CO5. Apply different theories, tools and techniques of portfolio construction, evaluation and revision

CO6. Enable the students to acquire portfolio management knowledge and skill sets to apply in real world.

KEY CONCEPTS

MODULE 1: BASICS OF INVESTMENTS

1. Understanding of investment – Economic meaning, Financial meaning; Differences between Investment, Speculation, Gambling and Arbitrage;
2. Investment objectives, constraints; Investment process
3. Forms of Investment - investment in physical and financial assets; Investment alternatives – Marketable securities, Non-marketable securities, Fixed income securities, Equity, Mutual fund, Life insurance, Gold, Real Estate
4. Macroeconomic factors influencing investment

MODULE 2: RISK AND RETURN

1. Return – Current return, Capital gain; Measurement of Return - Relative Return, Expected value and measuring Return over multiple periods
2. Risk - Types of Risk: Systematic - Market Risk, Interest Rate Risk, Purchasing Power Risk; Unsystematic Risk – Business Risk, Financial Risk; Risk Aversion;
3. Measurement of Risk - Standard Deviation, Coefficient of variation; Beta as a measure of Risk

MODULE 3: SECURITY ANALYSIS

1. Fundamental Analysis: Economic, Industry and Company analysis;
2. Technical Analysis: Dow theory – major trend, secondary trend, minor trend; Elliott wave theory; Price-volume analysis, Charts and Patterns, Market indicators, Shortcomings of Technical Analysis
3. Efficient Market Hypothesis: Forms of Market Efficiency – strong, semi-strong, weak form of market efficiency

MODULE 4: PORTFOLIO ANALYSIS AND MANAGEMENT

1. Diversification and Portfolio Risk; Measurement of Portfolio Risk and Return
2. Portfolio Models: Markowitz Model - Diversification, Markowitz Portfolio Risk and Return, Efficient Frontier and construction of efficient Portfolio, Utility theory and indifference curve
3. Sharpe Single Index Model- Alpha and Beta- Corner Portfolio, Sharpe's Portfolio Risk and Return, Portfolio optimization and selection

MODULE 5: CAPITAL MARKET THEORY

1. Capital Asset Pricing Model: Capital Market Line, Security Market Line; Risk free rate of return, over and underpriced stocks
2. Arbitrage Pricing Theory: Building of Arbitrage Portfolio, Return generating process, Factor Model

MODULE 6: Performance Evaluation and Revision of Portfolios

1. Performance Evaluation - Sharpe's Performance Index, Treynor's Performance Index and Jensen's Measure to identify the predictive ability; Evaluation of Mutual Fund – NAV method
2. Portfolio Revision Methods - Investment Timing, Formula Plans - Constant Dollar Value Plan, Constant Ratio Plan, Variable Ratio Plan

MODULE WISE OUTCOMES

Module 1:

MO1: Understand the concept and process of investment

MO2: Identify and assess various Investment Alternatives

Module 2:

MO3: Understand the concept of Risk, Types of Risk and Return

MO4: Measuring the risk and return of stocks

MO5: Understand the stock market operations, listing, issue of shares and trading

Module 3:

MO6: Identify sources of information and application of fundamental analysis in stock selection

MO7: Understand the trends, patterns and application of technical analysis with technical indicators and charts

MO8: Application and implications of Efficient Market Hypothesis in real world

Module 4:

MO9: Understand the concept of risk diversification and measuring portfolio risk and return

MO10: Application of Markowitz Model for construction of efficient portfolio

MO11: Application of Sharpe's Single Index Model for construction of optimum portfolio

Module 5:

MO12: Understand the concept of asset pricing and Application of CAPM in real world

MO13: Understand and Application of Arbitrage Pricing Theory

Module 6:

MO14: Calculation and application of Portfolio Evaluation techniques which includes Sharpe's Performance Index, Treynor's Performance Index and Jensen's Measure

MO15: Understand the portfolio revision methods

PEDAGOGY

- Lecture using power point presentations
- Solving problems using black board
- Class Room Discussions
- Demonstration through excel with real time data
- Projects and assignments
- Hands on experience (Lab based workshop mode session)
- Discussion on Case Studies & Research Articles
- Investment Lab sessions to learn
 - Trading – mock trading
 - Technical Analysis
 - Application of MS Excel for Security Analysis

COURSE EVALUATION PLAN

Assessment Tool	Marks	Weightage (%)	Unit of Evaluation
Internal Assessment			
Attendance & Class Participation	5	5	Individual
One Internal Test (Surprise Test)	5	5	Individual
Case Study To be submitted by 10 April, 2018	5	5	Individual
Real Time Data Analysis/Presentation	5	5	Individual
Mini Project	10	10	Team
University Examination	70	70	Individual
Total	100	100	

PROJECTS & PRESENTATIONS

Sl. No.	Topic	Description	Sl. No.	Topic	Description
1	Fundamentals of Stock Market	Presentation	7	Fundamental Analysis	Real Time Project
2	Trading & Settlement	Presentation	8	Technical Analysis	Real Time Project
3	Stock Exchanges	Presentation	9	Efficient Market Hypothesis	Real Time Project
4	Market Indices	Presentation	10	Portfolio Construction	Real Time Project
5	IPO & Book Building	Presentation	11	Portfolio Evaluation	Real Time Project
6	Mutual Fund	Presentation	12	Case Study	Presentation on Case Analysis

TEXT BOOKS AND REFERENCE MATERIALS

ESSENTIAL READINGS

1. Punithavathy Pandian, “Security Analysis and Portfolio Management”, Vikas Publishing House Private Limited.
2. Chandra, Prasanna, “Investment Analysis and Portfolio Management”, Tata McGraw Hill Publishing Limited.
3. Reily and Brown, “Investment Analysis and Portfolio Management”, Thomson South Western.

REFERENCES

- Fischer, E Donald & Jordan, J Ronald, “Security Analysis and Portfolio Management”, Prentice Hall of India Pvt. Ltd.
- Haugen Robert (2003); “Modern Investment Theory”, Pearson Education, 5th Edition.
- Bhalla, V.K. (2006); “Investment Management”, S. Chand; 12th Edition.
- Hirschey and Nofsinger (2008); “Investments – Analysis and Behaviour”, Tata McGraw Hill Publishing Company Limited, Special Indian Edition.
- Avadhani V.A (2006), “Securities Analysis and Portfolio Management”, Himalaya Publishing House, Eighth Revised Edition.
- Sharpe, Alexander and Bailey (1996); “Investments”, Prentice Hall of India Private Limited, 5th Edition.
- Kevin (2008); “Security Analysis and Portfolio Management”, Prentice Hall of India Private Limited, First Reprint Edition.
- Maheshwari, Yogesh (2008); “Investment Management”, PHI Learning Private Limited, First Edition.
- Indian Institute of Banking and Finance (2004); “Technical and Fundamental Analysis of Companies”, Taxmann Publications, First Edition.
- “Stock Market Book” (2005); Dalal Street Journal.

CASE STUDIES AND ARTICLES

- Case Study: When risk isn't bad?
- Fundamental Analysis for Investment Decisions on Five Major Banks
- Testing of Efficient Market Hypothesis: a Study on Indian Stock Market
- Portfolio Selection: Harry Markowitz
- Construction of Optimal Portfolio of Equity, Using Sharpe's Single Index Model: A Case Study of IT Sector
- An Empirical Testing of Capital Asset Pricing Model in India
- Performance Evaluation of Mutual Fund in India - A Case Study on SBI Mutual Fund

SUPPORTING READINGS

- Economic Times
- Business Line
- Business Standard
- Capital Line
- Dalal Street

MUST VISIT WEBSITES:

- www.bseindia.com
- www.nseindia.com
- www.capitalmarket.com
- www.amfiindia.com
- www.morningstar.in
- www.equitymaster.com
- www.tradingeconomy.com
- www.ibef.org
- www.financeprofessor.com

- www.moneycontrol.com
- www.rbi.gov.in
- www.sebi.gov.in
- finance.yahoo.com
- www.capitaline.com (Database)

COURSE FACILITATOR

Prof. Gowrisha

Department of Finance

Email: gowrisha.rvim@rvei.edu.in, Mobile No.: 9900246239

R. V. Institute of Management



RashtreeyaSikshanaSamithi Trust

RISK MANAGEMENT AND DERIVATIVES (4.2.3)

Course Facilitators

Prof. Dileep , Assistant Professor, R V Institute of Management

The articles and the reading materials contained in this docket are for classroom discussions only



RashtreeyaSikshanaSamithi Trust

R. V. Institute of Management

Course Outline

Programme:	MBA
Batch:	2016-2018
Term:	4
Subject Name:	RISK MANAGEMENT AND DERIVATIVES
Subject Code:	4.2.3
Credits:	4 (40 sessions)
Course Instructors:	Mr. Dileep, (IV semester Sec B & C)

PART A

INTRODUCTION:

This subject affords both introductory theory and a working knowledge of current financial derivatives as investment point of view and risk management in capital budgeting, with an importance on the use of derivatives in financial risk management. The theory component covers some fundamental pricing principles that apply to various derivative contracts in financial markets for derivatives and different types of risks and its measuring and evaluation techniques in capital budgeting decisions. The working knowledge component will cover the main types of derivatives contracts and valuation techniques. The course includes an Options Market Making Simulation which aims to help students to gain more practical knowledge about the sophisticated future and options market. This subject is both theoretical and practical and emphasis will be on problem-solving and analytical skills.

After introducing the main institutions and instruments in financial markets, the course discusses the principles of finance and risk management and then illustrates how the main risk management tools can be applied to the management of financial portfolios. Students will analyse the use of financial derivatives for hedging and speculation in financial markets.

Upon completion of the course, the students will have basic theoretical knowledge in risk management in capital budgeting and option strategies. And also will have knowledge of a variety of option pricing models such as binomial, analytical solutions such as the Black-Scholes model and Monte Carlo simulation. They will know how to apply derivatives as risk management tools for hedging market risk exposure (i.e. how to hedge the price of stock, index or commodity) and they know how to apply empirical research tools to investigate topics related to pricing and use of derivatives.

COURSE OUTCOMES (CO):

At the successful completion of this course the students would learn:

- CO1: Analyzing risks in capital budgeting for the business enterprises.
- CO2: Know the features and usage of future contracts for hedging and trading purpose.
- CO3: Risk management by using options and option strategies.
- CO4: Application of pricing for derivative instruments like futures and options.
- CO5: Understand commodity market and commodity derivatives.

KEY CONCEPTS:

• MODULE 1: RISK ANALYSIS IN CAPITAL BUDGETING

- Meaning of Risk and types of Risks of a Business Enterprise.
- Risk Analysis in Capital Budgeting – Measuring and Managing Capital Budgeting Risks
- Risk measurement : Sensitivity Analysis, Scenario Analysis, Simulation, Standard Deviation and Co-efficient of Variation,
- Risk Evaluation - Adjusted Discount Rate Method, Certainty Equivalent Co-efficient Method, Decision Tree Analysis and Probability Distribution Method

• MODULE2: INVESTMENT RISK AND DERIVATIVES

- Meaning of Derivatives.
- Types of Derivatives – Forward Agreements, Future Contracts
- Terms associated with Futures
- Stock Futures and Index Futures
- Differences between Forwards and Futures
- Margin and Settlement Mechanism of Futures

• MODULE 3:FUTURE CONTRACT HEDGING AND TRADING

- Hedging with Futures – Stock Hedging
- When there is a future contract available on the stock and when there is no future contract available on the stock.
- Portfolio Hedging: Adjusting Portfolio Risk,
- Pricing of Futures

• MODULE 4: OPTIONS- BASICS AND STRATEGIES

- Option Contracts – Meaning,
- Types – Call, Put, American, European.
- Pay-off and Pay-off Diagrams.
- Hedging Strategies – Protective Put Strategy and Covered Call Strategy.
- Trading Strategies with Options – Straddle, Strip, Strap, Strangle, Spreads

• MODULE 5: OPTION PRICING

- Put-Call Parity Theory,
- Portfolio Replication Method,
- Risk Neutralization Method,
- Binomial Method and Black-Scholes Method.
- Option Greeks

- **MODULE 6: COMMODITY RISK AND COMMODITY DERIVATIVES**

- Commodity Markets,
- Commodity Exchanges.
- Commodity Derivatives.

MODULE WISE OUTCOMES:

- **MODULE 1: RISK ANALYSIS IN CAPITAL BUDGETING**

MO 1: Understand the meaning and types of Risk.

MO 2 Identifying the Risk in Capital Budget Decision.

- MO 3 Usage of Risk measurement technique and Risk Evaluation technique in capital budgeting.

- **MODULE2: INVESTMENT RISK AND DERIVATIVES**

MO 4: Understand the meaning of Derivatives and its types.

MO 5: Realizing the differences between Forwards and Futures.

MO 6: understanding Margin and Settlement Mechanism of Futures.

- **MODULE 3:FUTURE CONTRACT HEDGING AND TRADING**

MO 7: Calculating Hedging with Futures

MO 8: Calculating Pricing of Futures

- **MODULE 4: OPTIONS- BASICS AND STRATEGIES**

MO 9: Understanding Option Contracts Meaning, Types – Call and Put, American and European option.

MO 10: Calculating Pay-off and Option strategies.

- **MODULE 5: OPTION PRICING**

MO 11: Calculating a different methods of option pricing and Option Greeks

- **MODULE 6: COMMODITY RISK AND COMMODITY DERIVATIVES**

- MO 12: Understanding the concept of Commodity Markets, Exchanges and Derivatives.

COURSE EVALUATION PLAN:

(a) END - TERM

Evaluation	Weightage (%)	Duration (in Minutes)	Open / Close Book	CLO Tested
End Term Exam	70	180	Close book	All

(b) OTHER ASSESSMENT:

Sl. No.	Evaluation Item*	Unit of Evaluation	Marks Allotted	TIME	CO
1	Attendance	Individual	5	Every session	None
2	One Internal	Individual	5	Once in the semester	All
3	Case Study	Individual	10	During one of the sessions	CO4
4	Mini Project	Individual	10	Before the Internal Test	CO 3, CO 4

PRESCRIBED TEXT BOOK:

Robert D. Hisrich and Michael P. Peters, 'Entrepreneurship '. McGraw – Hill

TEACHING/ LEARNING RESOURCES:

Students can also refer to other books to supplement their study:

1. Damodaran, Aswath, "Corporate Finance", John Wiley & Sons Inc.
2. Damodaran Aswath, "Applied Corporate Finance", John Wiley & Sons Inc.
3. Chandra, Prasanna, "Financial Management – Theory and Practice", Tata McGraw-Hill Publishing Company Limited.
4. Pandey, I M, "Financial Management", Vikas Publications.
5. Khan, M.Y., and Jain, P.K., "Financial Management – Text, Problems and Cases", Tata McGraw-Hill Publishing Company Limited.
6. Chance/Brooks, An Introduction to Derivatives & Risk Management, Thomson.
7. Hull J, Options, Futures and Other Derivatives, 6 ed., Prentice Hall.
8. Dubosky and Miller, "Derivatives – Valuation and Risk Management", Oxford University Press.
9. Kumar, SSS, "Financial Derivatives", Prentice Hall of India.
10. Parasuraman, N.R; "Fundamentals of Financial Derivatives", Wiley India.
11. Vohra, and Bagri, "Futures and Options", Tata McGraw Hill.
12. Chatnani, Niti, "Commodity Markets – Operations, Instruments and Applications", Tata McGraw Hill

COURSE FACILITATORS:

Mr. Dileep

Email ID: dileepudupi@gmail.com

PART B
SESSION PLAN

MODULE 1: RISK ANALYSIS IN CAPITAL BUDGETING

Session	Coverage of the Key Concept	Pedagogy/Activity (Discussion Points)	Reading material to be Referred
1	Meaning of Risk and types of Risks of a Business Enterprise	Classroom discussion	Book "Project Appraisal" by Prasanna Chandra
2	Risk Analysis in Capital Budgeting	Classroom discussion	Book "Project Appraisal" by Prasanna Chandra
3	Risk measurement : 1. Standard Deviation 2. Co-efficient of Variation,	Solving Problems in classroom	Book "Project Appraisal" by Prasanna Chandra And CA Material
4	Risk measurement : Sensitivity Analysis,	Solving Problems in classroom	Book "Project Appraisal" by Prasanna Chandra And CA Material
5	Risk measurement : Scenario Analysis & Simulation	Solving Problems in classroom	Book "Project Appraisal" by Prasanna Chandra And CA Material
6	Risk Evaluation Adjusted Discount Rate Method	Solving Problems in classroom	Book "Project Appraisal" by Prasanna Chandra And CA Material
7	Risk Evaluation	Solving Problems in classroom	Book

	Certainty Equivalent Co-efficient Method		“Project Appraisal” by Prasanna Chandra And CA Material
6	Risk Evaluation Decision Tree Analysis	Solving Problems in classroom	Book “Project Appraisal” by Prasanna Chandra And CA Material
7	Risk Evaluation Probability Distribution Method Variation	Solving Problems in classroom	Book “Project Appraisal” by Prasanna Chandra And CA Material
8	Risk Evaluation Probability Distribution Method Variation	Solving Problems in classroom	Book “Project Appraisal” by Prasanna Chandra And CA Material

MODULE 2: INVESTMENT RISK AND DERIVATIVES

Session	Coverage of the Key Concept	Pedagogy/Activity (Discussion Points)	Reading material to be Referred
9	Meaning of Derivatives. Types of Derivatives	Classroom discussion with	Book “Futures and Other Derivatives Options” by Hull J
10	Forward Agreements, Future Contracts	Classroom discussion with practical exposure of NSE India Website	Book “Futures and Other Derivatives Options” by Hull J
11	Terms associated with Futures Stock Futures and Index Futures	Classroom discussion with practical exposure of NSE India Website	Book “Futures and Other Derivatives Options” by Hull J

12	Differences between Forwards and Futures	Classroom discussion	Book "Futures and Other Derivatives Options" by Hull J
13	Margin and Settlement Mechanism of Futures	Classroom discussion and solving basic problems on Margin	Book "Futures and Other Derivatives Options" by Hull J
14	Margin and Settlement Mechanism of Futures	Classroom discussion and solving basic problems on Margin	Book "Futures and Other Derivatives Options" by Hull J

MODULE 3: FUTURE CONTRACT HEDGING AND TRADING

Session	Coverage of the Key Concept	Pedagogy/Activity (Discussion Points)	Reading material to be Referred
15	Hedging with Futures Stock Hedging	Stock Hedging (When there is a future contract available on the stock)	Book "Futures and Options" by Vohra, and Bagri
16	Hedging with Futures Stock Hedging	Stock Hedging (When there is no future contract available on the stock)	Book "Futures and Options" by Vohra, and Bagri
17	Hedging with Futures Stock Hedging	Stock Hedging (When there is no future contract available on the stock)	Book "Futures and Options" by Vohra, and Bagri
18	Portfolio Hedging: Adjusting Portfolio Risk,	Hedging Calculation and solving basic problems	Book "Futures and Options" by Vohra, and Bagri And CA material
19	Portfolio Hedging: Adjusting Portfolio Risk,	Hedging Calculation and solving basic problems	Book "Futures and Options" by Vohra, and Bagri And CA material
17	Pricing of Futures	Solving basic problems based on – No income	Book "Futures and Options" by Vohra, and Bagri And CA material

18	Pricing of Futures	Solving basic problems based on - Income in terms of amount.	Book "Futures and Options" by Vohra, and Bagri And CA material
19	Pricing of Futures	Solving basic problems based on -Income in terms yield.	Book "Futures and Options" by Vohra, and Bagri And CA material

MODULE 4: OPTIONS- BASICS AND STRATEGIES

Session	Coverage of the Key Concept	Pedagogy/Activity (Discussion Points)	Reading material to be Referred
20	Option Contracts Meaning	Classroom discussion on Options with practical exposure with NSE India website	Book "Futures and Options" by Vohra, and Bagri
21	Types of Option – Call, Put, American, European.	Classroom discussion on Options with practical exposure with NSE India website	Book "Futures and Options" by Vohra, and Bagri
22	Pay-off and Pay-off Diagrams	Classroom discussion on Options with practical exposure with NSE India website Calculation by using MS-Excel	Book "Futures and Options" by Vohra, and Bagri
23	Hedging Strategies Protective Put Strategy and Covered Call Strategy.	Classroom discussion on Options with practical exposure with NSE India website (ITM, ATM, OTM) Calculation by using MS-Excel	Book "Futures and Options" by Vohra, and Bagri
24	Hedging Strategies Protective Put Strategy and Covered Call Strategy.	Classroom discussion on Options with practical exposure with NSE India website (ITM, ATM, OTM) Calculation by using MS-Excel	Book "Futures and Options" by Vohra, and Bagri
25	Hedging Strategies Protective Put Strategy and Covered Call	Classroom discussion on Options with practical exposure with NSE India website (ITM, ATM, OTM)	Book "Futures and Options" by Vohra, and Bagri

	Strategy.	Calculation by using MS-Excel	
26	Trading Strategies with Options – Basic Spread Long and Short	Classroom discussion on Problems on Long and Short Positions Calculation by using MS-Excel	Book “Futures and Options” by Vohra, and Bagri and Book “Futures and Other Derivatives Options” by Hull J
27	Trading Strategies with Options – Long Straddle Short Straddle	Classroom discussion on Options with practical exposure with NSE India website (ITM, ATM, OTM) Calculation by using MS-Excel	Book “Futures and Options” by Vohra, and Bagri and Book “Futures and Other Derivatives Options” by Hull J
28	Trading Strategies with Options – Strip, Strap,	Classroom discussion on Options with practical exposure with NSE India website (ITM, ATM, OTM) Calculation by using MS-Excel	Book “Futures and Options” by Vohra, and Bagri and Book “Futures and Other Derivatives Options” by Hull J
29	Trading Strategies with Options – Long Strangle and Short Strangle	Classroom discussion on Options with practical exposure with NSE India website (ITM, ATM, OTM) Calculation by using MS-Excel	Book “Futures and Options” by Vohra, and Bagri and Book “Futures and Other Derivatives Options” by Hull J
30	Trading Strategies with Options –Spreads	Classroom discussion on Options with practical exposure with NSE India website (ITM, ATM, OTM) Calculation by using MS-Excel	Book “Futures and Options” by Vohra, and Bagri and Book “Futures and Other Derivatives Options” by Hull J

MODULE 5: OPTION PRICING

Session	Coverage of the Key Concept	Pedagogy/Activity (Discussion Points)	Reading material to be Referred
31	Put-Call Parity Theory	Solving Problems on put-call	Book “Futures and

		parity by using MS Excel	Options” by Vohra, and Bagri and Book “Futures and Other Derivatives Options” by Hull J and also CA Material
32	Risk Neutralization Method of Option Valuation	Classroom discussion and solving basic problems on Risk Neutralization Method	Book “Futures and Options” by Vohra, and Bagri and Book “Futures and Other Derivatives Options” by Hull J and also CA Material
33	Portfolio Replication Method of Option Valuation	Solving Problems on Portfolio Replication Method	Book “Futures and Options” by Vohra, and Bagri and Book “Futures and Other Derivatives Options” by Hull J and also CA Material
34	Portfolio Replication Method of Option Valuation	Solving Problems on Portfolio Replication Method	Book “Futures and Options” by Vohra, and Bagri and Book “Futures and Other Derivatives Options” by Hull J and also CA Material
35	Binomial Method of Option Valuation	Solving Problems on Binomial Method	Book “Futures and Options” by Vohra, and Bagri and Book “Futures and Other Derivatives Options” by Hull J and also CA Material
36	Black-Scholes Method of Option Valuation	Solving Problems on Black-Scholes Method	Book “Futures and Options” by Vohra, and Bagri and Book

		Using Software model on Black-Scholes	“Futures and Other Derivatives Options” by Hull J and also CA Material
37	Option Greeks	Solving Problems on Option Greeks (Delta, Gamma, Theta, Rho Vega) Using Software model of Vega, Gamma, Theta, Delta, Rho	Book “Futures and Options” by Vohra, and Bagri and Book “Futures and Other Derivatives Options” by Hull J and also CA Material

MODULE 6: COMMODITY RISK AND COMMODITY DERIVATIVES

Session	Coverage of the Key Concept	Pedagogy/Activity (Discussion Points)	Reading material to be Referred
38	Commodity Markets	Classroom discussion Practical exposure of Multi Commodity Exchange(MCX)	Book “Commodity Markets – Operations, Instruments and Applications” by Chatnani, Niti and CA material
39	Commodity Derivatives	Classroom discussion Practical exposure of Multi Commodity Exchange(MCX)	Book “Commodity Markets – Operations, Instruments and Applications” by Chatnani, Niti and CA material
40	Revision of the syllabus and Discussion on Case Study		