ANDHRA PRADESH STATE COUNCIL OF HIGHER EDUCATION

Model Syllabus for Financial Management (Minor) in consonance with Curriculum framework w.e.f. AY 2025-26

COURSE STRUCTURE

Year	Semester	Course	Title of the Course	No. of Hrs /Week	No. of Credits
II	III	1	Fundamentals of Financial Management	4	4
	IV	2	Money, Banking and Financial Markets	4	4
III	V	3	Derivatives & Risk Management	4	4
		4	Portfolio Management	4	4
	VI	5	Stock Market Operations	4	4
		6	Project Management	4	4

SEMESTER-III

COURSE 1: FUNDAMENTALS OF FINANCIAL MANAGEMENT

Theory **Credits: 4** **4 hrs/week**

Course Objectives:

The course is designed to:

1. Enable students to understand the scope and functions of financial management.
2. Acquire knowledge about financing decisions including cost of capital and capital structure theories.
3. Gain analytical skills in evaluating long-term investment decisions through capital budgeting techniques.
4. Impart knowledge on managing short-term investment decisions and working capital.
5. Understand dividend decisions and policies in financial management.

Course Outcomes (COs):

Upon successful completion of this course, students will be able to:

- **CO1**: Explain the goals, scope, and major functions of financial management.
- **CO2**: Calculate the cost of different sources of capital and analyze capital structure using theoretical models.
- **CO3**: Evaluate long-term investment decisions using capital budgeting techniques such as NPV, IRR, and Payback Period.
- **CO4**: Analyze and manage components of working capital including inventory, cash, and receivables.
- **CO5**: Understand the types and determinants of dividend policies and apply dividend decision models in practice.

UNIT – I: FINANCIAL MANAGEMENT

Meaning, Nature, Scope of financial management. Financial management goals: Profit maximization, Wealth maximization. Finance functions- Investment, financing and Dividend Decisions.

UNIT – II : COST OF CAPITAL

Meaning and significance of cost of capital, Calculation of cost of debt, Preference Capital, Equity Capital and retained earnings. Capital structure, Theories of Capital structure: Traditional and MM Hypothesis, Determining capital structure in practice, Capital structure planning, Operating and Financial leverages.

UNIT – III : CAPITAL BUDGETING

Nature of investment decisions; investment evaluation criteria - Accounting Rate of Return, Payback Period, Net Present value, Internal Rate of Return and Profitability Index.

UNIT – IV : WORKING CAPITAL

Meaning, significance and types of working capital; Determinants of Working Capital, Sources of working capital; Management of Inventories, Management of Cash; management of Accounts Receivables.

UNIT – V : DIVIDEND DECISIONS

Types of dividend, Dividend Models, Determinants of dividend policies, Practical aspects of dividend.

Student-Centric Activities:

- **Numerical Exercises**: Practice sessions on capital budgeting and cost of capital calculations.
- **Case Study Analysis**: Financial decision-making scenarios involving investment, financing, or dividend choices.
- **Group Project**: Preparation of a financial analysis report on working capital management of a selected company.
- **Seminar/Presentation**: Topics such as MM theory, leverage analysis, or dividend policies of Indian companies.
- **Mock Board Meeting**: Simulation of capital budgeting decisions and dividend declaration process.

Recommended Books:

1. Khan & Jain, Financial management ,TMH Publishers.
2. I M Pandey financial management, Vikas publications
3. Prasanna Chandra financial management, TMH publishers
4. R K Sharma & Seshi Guptha financial management, Kalyani publishers
5. Rohit Srivastav financial management, Oxford publishers

SEMESTER-IV

COURSE 2: MONEY, BANKING AND FINANCIAL MARKETS

Theory **Credits: 4** **4 hrs/week**

Course Objectives:
The course is designed to:

1. Analyze the impact of money on macroeconomic variables such as interest rates, inflation, and the banking industry.
2. Provide theoretical and practical understanding of the monetary and financial sectors of the economy.
3. Examine the organization, structure, and role of financial institutions and markets.
4. Evaluate interest rate dynamics and instruments of monetary management and control.
5. Study banking and financial sector reforms with special reference to the Indian context.

Course Outcomes (COs):
Upon successful completion of this course, students will be able to:

- CO1: Define the nature, functions, and role of money in different economic systems and explain theories of money supply.
- CO2: Describe the structure of banking institutions, credit creation process, and evaluate reforms in the Indian banking sector.
- CO3: Analyze the functions of the central bank and assess various tools of credit control.
- CO4: Evaluate the role and structure of financial markets and institutions including recent financial innovations and reforms in India.
- CO5: Examine interest rate determination theories and the term structure of interest rates in a financial system.

UNIT I : MONEY
Meaning, functions and classification, Role of money in capitalist, socialist and mixed economies, theories of money supply determination. RBI approach to money supply; High powered money and money multiplier. Monetary standards – Metallic and paper standards, system of note issues in India. RBI approach to money supply; High powered money and money multiplier.

UNIT II : BANKING
Types of Banks. Functions of Commercial banks. Process of credit creation, Purpose and limitations. Liabilities and assets of banks. Commercial banking in India, Nationalization of commercial banks in India. Recent reforms in banking sector in India.

UNIT III: CENTRAL BANKING
Functions of Central Bank. Quantitative and qualitative methods of credit control- Bank rate policy, Open market operations, Cash reserve ratio and selective methods. Role and functions of the Reserve Bank of India.

UNIT IV : FINANCIAL INSTITUTIONS, MARKETS, INSTRUMENTS AND FINANCIAL INNOVATIONS

Role of financial markets and institutions, Structure of money market and capital market — Call money market. Treasury bill market, Commercial bill market including commercial paper and certificate of deposits, Government securities market, Primary and secondary market for securities. Financial sector Reforms in India, Role of Financial Derivatives Financial Institutions: Types; Banking and Non-Banking Financial Institutions.

UNIT V: INTEREST RATES

Interest Rates Determination; sources of interest rate differentials; theories of term structure

Student-Centric Activities

- Classroom Debate on central bank autonomy and monetary control in India.
- Group Presentation on the evolution and structure of money markets in India.
- Case Study: Analysis of recent RBI monetary policy measures and their impact on inflation and interest rates.
- Simulation Exercise: Role-play on monetary policy decision-making by a mock RBI monetary policy committee.
- Mini Project: Study and prepare a report on a selected Indian financial institution (e.g., NABARD, SIDBI, SEBI).

Recommended Books:

1. F. S. Mishkin and S. G. Eakins, Financial Markets and Institutions, Pearson Education
2. F. J. Fabozzi, F. Modigliani, F. J. Jones, M. G. Ferri, Foundations of Financial Markets and Institutions, Pearson Education.
3. Rakesh Mohan, Growth with Financial Stability- Central Banking in an Emerging Market, Oxford University Press, 2011. 32
4. L. M. Bhole and J. Mahukud, Financial Institutions and Markets, Tata McGraw Hill.
5. M. Y. Khan, Indian Financial System, Tata McGraw Hill.

SEMESTER-V

COURSE 3: DERIVATIVES & RISK MANAGEMENT

Theory **Credits: 4** **4 hrs/week**

Course Objectives:

The course is designed to:

1. Understand the nature and structure of the derivatives market.
2. Gain knowledge of the regulatory framework and trading of derivatives in India.
3. Develop analytical skills for pricing and valuation of futures contracts.
4. Develop competence in pricing and strategizing with options.
5. Explore hedging techniques and strategies to mitigate business risks using derivatives.

Course Outcomes (COs):

Upon successful completion of this course, students will be able to:

CO1: Define and classify different types of derivatives and understand their purpose in financial markets.

CO2: Analyze futures contracts, differentiate between futures and forwards, and apply pricing models including hedge ratios.

CO3: Explain options terminology and strategies, and apply pricing models including Put-Call Parity.

CO4: Evaluate different types of swaps and understand their role in managing credit and interest rate risk.

CO5: Apply hedging techniques using derivatives such as Delta-Gamma Hedging and VaR, and understand risk management policies in the Indian context.

UNIT I : INTRODUCTION TO DERIVATIVES

Definition, types of derivatives, Uses of derivatives, Exchange-traded vs. OTC derivatives, Derivatives in India, Regulation for derivatives trading and SEBI guidelines related to derivatives trade.

UNIT II : INTRODUCTION TO OPTIONS

Basic Hedging practices, Forward contracts, Limitations of forward markets, Introduction to futures, Stock Index futures, Commodity Futures and Currency Futures, Distinction between futures and forwards contracts, pay-offs, Cash settlement vs Physical settlement, Pricing Principles, Beta and Optimal Hedge Ratio.

UNIT III : INTRODUCTION TO OPTIONS

Option terminology and Types, Index derivatives, European and American calls and puts, Exotic and Asian Options, Strategies and Pay-offs, Option Pricing and Put-Call parity.

UNIT IV : SWAPS

Meaning, overview, interest rate swaps, currency swaps, credit risk, mechanics of swaps.

UNIT V : RISK MANAGEMENT WITH DERIVATIVES

Hedging Using Greeks (Delta-Gamma Hedging), Hedging with Futures (Strategies of hedging, speculation and arbitrage): Index Options and futures, VaR, Historical Simulations, Risk management structure and policies in India.

Student-Centric Activities:

- **Simulation**: Practice trading derivatives using mock platforms or spreadsheets for pricing futures and options.
- **Problem Solving**: Numerical practice on option pricing models and futures hedging strategies.
- **Case Study**: Analysis of real-world hedging strategies by Indian companies (e.g., Infosys, Tata Steel).
- **Presentation**: Group presentation on SEBI regulations and compliance framework for derivatives trading in India.
- **Workshop/Guest Talk**: Industry interaction with a derivatives trader or financial risk manager.

Recommended Books:

1. Hull C.John, "Options, Futures and Other Derivatives", Pearson Educations Publishers.
2. N.D.Vohra & B.R.Baghi, Futures and Options, Tata McGraw-Hill Publishing Company Ltd.
3. D.C.Parwari, Financial Futures and Options, Jaico Publishing House.
4. T.V.Somanathan, Derivatives, Tata McGraw-Hill Publishing Company Ltd.
5. S.L.Gupta, Financial Derivatives, Prentice Hall of India.

SEMESTER-V

COURSE 4: PORTFOLIO MANAGEMENT

Theory **Credits: 4** **4 hrs/week**

Course Objectives:
The course is designed to:

1. Familiarize students with the fundamentals and evolving concepts of portfolio management.
2. Understand the tools and techniques used to evaluate investment avenues and assess portfolio performance.
3. Comprehend the structure of the Indian financial and investment environment.
4. Analyze models and theories associated with risk-return optimization.
5. Equip students with basic skills for calculating and interpreting returns and risk in investment decision-making.

Course Outcomes (COs):
Upon successful completion of this course, students will be able to:

- **CO1**: Distinguish between various forms of investments and describe the investment process and environment in India.
- **CO2**: Analyze different types of risk and return, and compute standard deviation, beta, expected return, and related metrics.
- **CO3**: Explain the regulatory framework for portfolio managers in India and describe their roles and responsibilities.
- **CO4**: Apply various portfolio models such as the Markowitz Model, CAPM, Sharpe Index Model, and APT to construct and evaluate portfolios.
- **CO5**: Solve basic numerical problems using models like Sharpe, Jensen, and Treynor to evaluate portfolio performance.

UNIT I : PORTFOLIO MANMAGEMENT
Concept of Investment- Investment Vs Speculation. Security Investment Vs. Non-security forms of Investment - Investment Environment in India. Investment Process – Sources of Investment Information.
Meaning of Portfolio management- nature and Scope of Portfolio management- Portfolio Management Process- calculation of return on portfolio and risk on portfolio.

UNIT II : RISK AND RETURNS
Meaning- Types of risk-Calculation of risk-Standard Deviation and variance-Beta estimation Alpha and Beta Coefficient-Covariance- Investor's attitude towards risk and return. Meaning-Types of return- calculation of return on a single security- Arithmetic mean and Geometric mean-historical return and return relative- Probability distribution- Expected return.

UNIT III: BASICS OF PORTFOLIO MANAGEMENT IN INDIA
SEBI guidelines for investor protection- Portfolio Manager- who can be a Portfolio Manager SEBI guidelines for Portfolio Manager- Portfolio Management service and method of operation- Function of a Portfolio Manager- Career in Portfolio Management

UNIT IV: PORTFOLIO MODELS
Elements of Portfolio Management - Portfolio Models - Markowitz Model, Efficient Frontier and Selection of Optimal Portfolio. Sharpe Single Index Model and Capital Asset Pricing Model, Arbitrage Pricing Theory.

UNIT V:
Portfolio theory: Markowitz Theory - Portfoilo Management - Sharpe's Model- Jensen and Treynor Model. (Simple problems)

Student-Centric Activities:

- **Numerical Assignments**: Exercises on portfolio risk and return, standard deviation, beta, CAPM, and APT models.
- **Case Study Analysis**: Evaluation of actual mutual fund or investor portfolios using performance measures.
- **Group Presentation**: On SEBI guidelines for portfolio managers and investor protection.
- **Simulation**: Virtual portfolio creation and tracking using stock market data.
- **Expert Talk**: Guest session by a certified portfolio manager or financial analyst on career paths in portfolio management.

Recommended Books:

1. Priti Singh- Portfolio Management-Himalaya Publications.
2. V.K Avadhani-Security Analysis and Portfolio Management-HPH
3. Fischer and Jordan- Security Analysis and Portfolio Management-Prentice Hall
4. Prasanna Chandra- Security Analysis Investment management .
5. Sudhindra Bhatt, Security Analysis and Portfolio management, Excel Books.

SEMESTER-VI

COURSE 5: STOCK MARKET OPERATIONS

Theory **Credits: 4** **4 hrs/week**

Course Objectives:
The course is designed to:

1. Provide students with an understanding of the structure and functioning of Indian capital markets.
2. Explain the significance and regulatory framework of stock exchanges and secondary markets.
3. Introduce the process, merits, and regulatory aspects of listing and delisting of securities.
4. Familiarize students with the construction and role of stock market indices in India.
5. Provide foundational knowledge of commodity, currency, and other emerging markets such as ETFs, carbon markets, and weather derivatives.

Course Outcomes (COs):
Upon successful completion of this course, students will be able to:
CO1: Understand the structure, participants, and regulatory developments of the Indian capital market, especially the primary market.
CO2: Analyze the roles and functions of secondary markets and evaluate SEBI's regulatory framework for stock exchanges.
CO3: Explain the listing and delisting procedures and requirements for securities on BSE and NSE.
CO4: Interpret the purpose, methods, and construction of stock market indices, with focus on BSE Sensex and NSE Nifty.
CO5: Understand the basics and significance of commodity markets, currency futures, and new instruments like ETFs and weather derivatives.

UNIT I : CAPITAL MARKETS IN INDIA

An overview of Indian Securities Market, Meaning, Functions, Intermediaries, Role of Primary Market – Methods of floatation of capital – Problems of New Issues Market – IPO's – Investor protection in primary market – Recent trends in primary market – SEBI measures for primary market.

UNIT II : STOCK EXCHANGES

Meaning, Nature and Functions of Secondary Market – Organization and Regulatory framework for stock exchanges in India – SEBI: functions and measures for secondary market – Overview of major stock exchanges in India.

UNIT III : LISTING OF SECURITIES

Meaning – Merits and Demerits – Listing requirements, procedure, fee – Listing of rights issue, bonus issue, further issue – Listing conditions of BSE and NSE – Delisting.

UNIT IV : STOCK MARKET INDICES

Stock Market Indices: Meaning, Purpose, and Construction in developing index – Methods (Weighted Aggregate Value method, Weighted Average of Price Relatives method, Free-Float method) – Stock market indices in India – BSE Sensex - Scrip selection criteria – BSE indices (briefly) – NSE indices – S&P CNX Nifty.

UNIT V : COMMODITY AND CURRENCY MARKETS

Commodity exchanges : evolution and history – governing regulations – price –risk management – commodity exposure – hedge accounting – currency futures – managing exchange rate – carbon markets – weather derivatives – ETFs – Purpose, Importance, types , construction.

Student-Centric Activities:

- **Case Study**: Review of IPO process and SEBI's investor protection measures in recent listings.
- **Simulation**: Virtual trading exercises using NSE/BSE platforms or mock apps.
- **Group Presentation**: On the methodology and components of BSE Sensex or Nifty 50 index.
- **Field Study/Visit**: Virtual/physical interaction with stock brokers or investor education cells.
- **Seminar**: On recent developments in carbon trading, ETFs, or weather derivatives in India.

Recommended Books:

1. Punithavathy Pandian, Security Analysis and Portfolio Management Vikas Publishing House
2. Dr. V.A. Avadhani, Security Analysis and Portfolio Management, Himalaya Publishing House, Mumbai.

SEMESTER-VI

COURSE 6: PROJECT MANAGEMENT

Theory **Credits: 4** **4 hrs/week**

Course Objectives:
The course is designed to:

1. Enable students to conduct preliminary screening and identification of viable projects.
2. Equip students with the ability to evaluate market, technical, and operational feasibility of a project.
3. Provide tools to analyze financial viability using appropriate project evaluation techniques.
4. Offer insight into the procedures and strategies for project implementation, monitoring, and abandonment.
5. Familiarize students with social cost-benefit analysis and project scheduling techniques like PERT and CPM.

Course Outcomes (COs):
Upon successful completion of this course, students will be able to:

- CO1: Define and explain the phases of project life cycle and classification of projects.
- CO2: Conduct feasibility analysis (market, technical, financial) and prepare a basic feasibility report.
- CO3: Identify various sources of project finance and analyze financial structures and funding options.
- CO4: Develop a comprehensive plan for project implementation and establish effective control mechanisms.
- CO5: Apply social cost-benefit analysis techniques and develop project schedules using PERT and CPM.

UNIT I: Project Management; Meaning, Characteristics and importance project management; Classification of Projects, Project Life Cycle and its Phases- identification, formulation and implementation.

UNIT II: Appraisal of Projects – Market feasibility, technical feasibility, financial feasibility - – feasibility report. . Financial Appraisal of a Project – Project Evaluation Techniques – traditional and modern (theory only).

UNIT III: Project Financing; Project Financing Capital structure, sources of finance Margin money, promoter's contribution, consortium lending and local syndication by banks, financing through markets and public issues, Term loans and debentures.

UNIT IV: Project Implementation and Control: Organizing human resources, systems and procedure for project implementation. Working of systems, Design of systems, project work system design, work breakdown structure, project execution plan, project control system, project diary, project control –scope/progress control, performance control, schedule control and cost control.

UNIT V: Social Cost benefit Analysis: The rationale for Social cost benefit analysis, UNIDO approaches for Social Cost benefit analysis, Methods followed by Financial Institutions. Project Scheduling: PERT and CPM networks.

Student-Centric Activities:

- Mini Project: Preparation of a sample project feasibility report for a startup idea.
- Group Discussion: On recent project failures and the importance of feasibility analysis.
- Case Study: Evaluation of financing strategies adopted in large-scale infrastructure or industrial projects.
- Practical Activity: Drawing and interpreting basic PERT and CPM charts using sample data.
- Guest Lecture/Workshop: Session by a project manager or financial institution representative on project evaluation practices.

Recommended Books:

1. Gido: Effective Project Management, Thomson.
2. Prasanna Chandra, Projects, Planning, Analysis, Selection, Financing, Implementation and Review, Tata McGraw Hill Company Pvt. Ltd.
3. Damodaran, Corporate Finance, John Wiley Publications.
4. Erhardt & Brigham, Principles of Corporate Finance, Thomson.
5. Singh M.K, Project Evaluation and Management.