

**SRI VENKATESWARA UNIVERSITY – TIRUPATI**  
**SECOND YEAR – IV SEMESTER**  
(w.e.f. AY 2024-25)  
**MINOR**  
**SUBJECT : FINANCIAL MANAGEMENT**

<b>Semester</b>	<b>Course Number</b>	<b>Course Name</b>	<b>No. of Hrs/Week</b>	<b>No. of Credits</b>	<b>Marks</b>		
					Int	Ext	Total
<b>IV</b>	3	Derivatives & Risk Management	4	4	25	75	100
<b>IV</b>	4	Portfolio Management	4	4	25	75	100

## SEMESTER-IV

### COURSE 3: DERIVATIVES & RISK MANAGEMENT

Theory

Credits: 4

4 hrs/week

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#### Course Objectives:

1. To understand derivatives market
2. To understand derivatives trading in India and regulatory framework.
3. To train the student with required skills for pricing of futures.
4. To train the student with required skills for pricing of options
5. To enable the student to explore hedging strategies to mitigate risk in business operations.

#### 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.

**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.

# Format of Model Question Paper

**Domain Subject: Commerce**

Semester-wise Syllabus under CBCS

(w.e.f. 2023-24 Admitted Batch)

SEMESTER - IV

**COURSE 3: DERIVATIVES & RISK MANAGEMENT**

**Time: 3 hrs**

**Max. Marks 75**

## **Section A**

*Answer any Five of the following*

**5 X 3=15 M**

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

## **Section - B**

**Answer any Five Questions**

**(5 ×12 = 60 Marks)**

- 11.
- 12.
- 13.
- 14.
- 15.
- 16.
- 17.
- 18.
- 19.
- 20.

## SEMESTER-IV

### COURSE 4: PORTFOLIO MANAGEMENT

Theory

Credits: 4

4 hrs/week

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#### Course Objectives:

1. To familiarize students with recent changes and elements of portfolio management
2. To understand the various tools used in the evaluation process of investment avenues.
3. To understand the financial environment.

#### UNIT I : PORTFOLIO MANAGEMENT

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 - Portfolio Management - Sharpe's Model- Jensen and Treynor Model. (Simple problems)

**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.

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SEMESTER - IV

**COURSE 4: PORTFOLIO MANAGEMENT**

**Time: 3 hrs**

**Max. Marks 75**

## **Section A**

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## **Section - B**

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