NATIONAL UNIVERSITY



Syllabus

Department of Finance and Banking

Syllabus for Master’s Course

Effective from the Session: 2013–2014

National University

Subject: Finance and Banking

Syllabus for One-Year Master’s Course

Effective from the Session: 2013-2014

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| **Paper Code** | **Paper Title** | **Credits** |
| 312401 | Investment Banking and Lease Finance | 4 |
| 312403 | Corporate Governance | 4 |
| 312405 | International Financial Management | 4 |
| 312407 | Corporate Finance | 4 |
| 312409 | Monetary and Fiscal Policy | 4 |
| 312411 | Financial Derivatives | 4 |
| 312413  Or  312415 | Project Appraisal and Management  Or  Retail and E-Banking | 4 |
| 312416 | Term Paper | 2 |
| 312418 | Viva-Voce | 2 |
|  | **Total =** | **32** |

**Detailed Syllabus**

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| **Paper Code: 312401** | **--------.** | **Credits: 4** | **Class Hours: 120 hrs.** |
| **Paper Title:** | **Investment Banking and Lease Finance** | | |

**Investment Banking**

1. **Investment Banking**: Definition, History, Functions, Types, Operations.
2. **Laws governing Investment Banking**: Securities and Exchange ordinance 1969, Securities and Exchange Rules 1987, Securities and Exchange Commission act 1993, Merchant bank rules, Public Issue Rules, Bond Issue Rules, Right Issue Rules, Credit Rating Rules.
3. **Investment Banking process and IPOs**: Under pricing, long run performance of IPOs, Hot issue market, Case studies.
4. **Corporate Finance**: Underwriting and Syndication, Secondary market making, Dealer-Broker activities.
5. **Trading**: Speculation and Arbitrage, Funding and risk management, Merchant Banking in Bangladesh, Other activities.
6. Financial Engineering, Merchant Banking, Other activities.

**Lease Finance**

1. **Introduction**: Concept, Background, Importance of Lease financing, types of leasing, Comparison with ownership.
2. **Economics of Leasing**: Economic Rationale of Leasing, Evaluating the cost of leasing, Case Studies.
3. **Accounting Aspects of Lease Financing**: Issues related to the accounting for leases.
4. **Tax Aspects of Leasing**: Tax regulations, Factors indicating a sale, Tax effects of a lease, Tax effects of a sale, Comparative analysis of lease with option to purchase, Leveraged leases.
5. **Equipment Lease Financing**: Cost, Planning lease financing arrangements.
6. **Sale and Lease back in Real Estate**: Concepts and Case studies.

**Basic Texts:**

1. Investment Banking: The New Rules and the Brokerage Game by J. F. Marshall and Ellis
2. Lease Financing- Baker and Hyes.

Reference Books:

Selected reading materials on Investment Banking.

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| **Paper Code: 312403** | **--------.** | **Credits: 4** | **Class Hours: 120 hrs.** |
| **Paper Title:** | **Corporate Governance** | | |

**1. Definitions and Issues in Corporate Governance**: Definition of corporate governance, consequences of poor corporate governance, stakeholders, theoretical framework, principles of good corporate governance, approaches to corporate governance.

**2.** **Voluntary Codes of Corporate Governance**: The role of the company secretary: voluntary codes of best governance practice, corporate governance codes and guidelines in the UK, OECD principles of corporate governance, the king code. Guidance from institutional investor groups.

**3. The Board of Directors**: Governance responsibilities of the board, unitary and two tier boards, the powers of directors, the duties of directors to their company, matters reserved for the board, the roles of chairman and CEO, size and composition of the board, NEDs, SIDs.

**4.** **Governance and Boardroom Practices**: Good boardroom practice and board behaviours, appointments to the board: nomination committee, diversity, succession planning, re-election of directors, performance evaluation of the board.

**5**. **Remuneration of Directors and Senior Executives**: Remuneration as a corporate governance issue, principles of senior executive remuneration, elements of remuneration, the design of performance-related remuneration, the remuneration of NEDs.

**6**. **Reporting to Shareholders and External Audit**: Financial reporting and corporate governance, financial reporting: director’s duties and responsibilities, the role of the external auditors: the audit report, independence of the external auditors, the audit committee.

**7.** **Relations with Shareholders**: Governance responsibilities of the board and the shareholders, rights and powers of shareholders, dialogue between the board and shareholders, constructive use of AGM, institutional shareholder responsibilities.

**8.** **Risk Management and Corporate Governance**: Risk management and governance, the nature of risk, business risk and internal control risk, responsibilities for risk management, risk management policies, systems and procedures.

**9.** **Corporate Social Responsibility**: The nature of corporate social responsibility, CSR and government, CSR, investors and SRI, CSR and corporate strategy, formulating a CSR policy, social responsibility in the public and voluntary sectors.

**10.** **Reporting Corporate Social Responsibility and Sustainability**: Reporting CSR issues to stakeholders, voluntary CSR reporting, sustainability reporting triple bottom line reporting, benchmarking and CSR reporting.

**Text Book:** Corporate Governance, Brian Coyle (2nd Edition) (ICSA study text)

Reference: Corporate Governance, Robert A.G. Monks and Nell Minow.

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| **Paper Code: 312405** | **--------.** | **Credits: 4** | **Class Hours: 120 hrs.** |
| **Paper Title:** | **International Financial Management** | | |

1. **Gains from Trade and Derivation of Equilibrium Rate of Terms of Trade**: Traditional theory of trade: Comparative cost theory. Two-country-two-commodity model. Production Possibility Curves (PPC): Constant and increasing cost, Indifference curves, Optimum production and optimum consumption; Gains from trade: Before-trade and After-trade situation. Derivative of terms of trade from PPC. Offer curves. Equilibrium terms of trade. Theories of market imperfections: product life cycle theory and strategic trade theory.
2. **Balance of Payment**s (BOP): Balance of trade, Current account and Capital account. Debit side and credit site of BOPs; the concepts of deficit and the balance of crisis. Autonomous and induced capital. Role of government: import restriction and foreign aid.
3. **International Financial Institutions:** IMF, World Bank, International Financial Corporation, International Development Association, Bank for International Settlements, Regional Development Agencies. Asian Development Bank, The Islamic Development Bank. Asian Clearing Union.
4. **International Financial Markets:** History of foreign exchange: Gold standard and gold exchange standard, Bretton Woods Agreement and collapse of the system, spot market and forward market. Foreign exchange quotation: Direct and Indirect.
5. **Exchange Rate Determination:** Exchange rate equilibrium: composition of demand and supply, factors that influence exchange rates: Relative inflation rates, relative interest rates, relative income level, government controls, expectations, interaction of factors. Financial market perspective: Speculating on anticipated exchange rates.
6. **Exchange Rate Behaviour:** Government influence on exchange rates, exchange rate systems: Fixed exchange rate system, freely floating exchange rates, managed floatation, pegged exchange rates, currency boards. Financial markets perspective. A single European currency, exchange rate target zone. Case: Asian currency crisis and government intervention.
7. **International Arbitrage and Interest Rate Parity:** International Arbitrage: locational arbitrage, triangular arbitrage, covered interest arbitrage, Interest Rate Parity (IRP): Determination of Interest Rate Parity, determination of forward premium; financial market perspective. Case: Nike and Asian currency crisis.
8. **Exchange Rate Risk Management:** Forecasting exchange rates, techniques of forecasting, evaluations of forecast performance, exchange rate volatility, financial market perspectives, application of exchange rate forecasting to the Asian crisis. How exchange rate forecasting affect on MNC value?
9. **Measuring Exposure to Exchange Rate Fluctuations:** Relevancy of exchange rate risk: PPP argument, the investor hedge argument, currency diversification arguments, stock holder diversification argument; types of exposures: Transaction exposure, economic exposure, translation exposure. Impact of exchange rate movements on MNC’s value.
10. **Foreign Exchange Operation and Documentation:** Society for worldwide international financial transaction (SWIFT), International commercial terms (INCO terms): TT, MT, DD, TC, LC, documentary trade credit, insurance documents, bill of lading, multimodal transport documents, airway bill.
11. **Operation of Documentary Credit:** Choosing the method of payment, parties to a credit, advantages of letter of credit: confirmed and unconfirmed credits, fixed and revolving credits, transferable credits, back to back credits, operation of a letter of credit.
12. **Dealing in Foreign Exchange in the Context of Bangladesh:** Risk management and treasury operations, dealing position, accounting and reporting, foreign risk management, reconciliation of Nostro balance, managements of risk arising in Vostro accounts, control over miscellaneous aspects of dealing operations.

**Basic Text Books:**

1. Jeff Madura: International Financial Management (Latest Edition), Thomson South-Western, 2003.
2. Syed Ashraf Ali: Foreign Exchange & Risk Management, Mowla Brothers, Dhaka, Bangladesh, 2005.

**Reference Books:**

1. Michael H. Moffett, Arthur I. Stonehill and Davis W. Eitman: Fundamentals of Multinational Finance, Pearson Education, Ind. 2003.
2. Alan C, Shapiro: Multinational Financial Management, Sixth Ed. John Wiley & Sons, Inc. 2001.
3. Dominick Salvatore: International Economics, Latest Edition. John Wiley & Sons, Inc. 2004.

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| **Paper code : 312407** | **------** | **Credit : 4** | **Class hours : 60 hrs.** |
| **Paper title:** | **Corporate Finance** | | |

1. **Introduction to Corporate Finance:** Corporate finance and the firm; Principles of Corporate finance; Corporate financial decisions; Firm value and equity value; Tools of corporate finance; Objectives in corporate finance-stockholders wealth maximization, stock price maximization, and agency cost.
2. **Time Value of Money:** The time value of money, future value and compounding, present value and discounting, uneven cash flow and annuity, discounted cash flow valuation.
3. **Alternative Views of Risk and Return:** Theory of choice; the CAPM-The Sharp-Linter and Black versions, Estimating and interpreting beta; the market model.
4. **Security Valuation:** Bond features, bond valuation, bond yields, bond risks, stock features, common stock valuation, common stock yields, preferred stock valuation.
5. **Long-term Financial Planning:** the elements and role of financial planning, financial planning model, percentage of sales approach, external financing needed.
6. **Capital Budgeting and Risk Analysis:** Risk and investment decision, Methods of incorporating risk into capital budgeting, other approaches to evaluating risk in capital budgeting.
7. **Cost of Capital and Capital Structure:** Cost of capital, computing various types of cost of capital, the effect of leverage, determining optimal capital structure, M&M proposition I and II.
8. **Dividend Policy and Decisions:** Basic concepts; the dividend payment procedures; Factors affecting the dividend decisions; Alternative dividend policies; Dividend irrelevance school; Dividend theories.
9. **Short-term Financial Planning and Management:** working capital, operating cycle, cash cycle, cash budget, short-term financial policy, cash management, inventory management, credit management
10. **Financial Information and Capital Market Efficiency:** The efficient market hypothesis (EMH) – Forms; Event study methodology; Empirical test of the semi-strong form using profit arrangements.

**Reference Books:**

1. Fundamentals of Corporate Finance, 9th edition, Ross, Westfield & Jordon, The McGraw-Hill Companies, Inc., 2009.
2. Principles of Corporate Finance, 9th edition, Brealey, Myers & Allen, The McGraw-Hill Companies, Inc., 2007.
3. Brigham Eugene F, Ehrhardt Michael C, Financial Management: Theory and Practice, 11th edition, South-Western.

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| **Paper code : 312409** | **------** | **Credit : 4** | **Class hours : 60 hrs.** |
| **Paper title** | **Monetary and Fiscal Policy** | | |

**Monetary Policy**

1. Barter System. Nature, Evolution and sanction of money: Some aspects of money-a broad money and narrow money, Place of money in the economy.
2. Quantity theory of money-Different versions and their criticisms.
3. Value of money-The price level and its fluctuation-Trade cycle: Inflation-Deflation-Effects of price fluctuation.
4. Money, credit and economic activity-Importance of credit creation by the banking system-need for credit control.
5. Central bank-The goals and channels of Central banking. function-its role in maintaining internal and external balance-measures of credit control. Reserve and Money-The composition of reserves. Factors supplying reserve-Factors absorbing reserve. The deposit multiplier, the money multiplier. Money market indicators-Interpreting money market indicators. Aims of monetary policy-The Tools of Monetary policy: General versus Selective credit control. Limits to the power of monetary policy in developing countries-efforts towards improving the deficiency of monetary mechanism.
6. Central bank autonomy regarding monetary policy in Bangladesh. Current policy and issues related with monetary policy in Bangladesh.

**Fiscal Policy**

1. Evaluation of fiscal policy. Distinction between monetary policy and fiscal policy. Objectives of fiscal policy. Compensatory fiscal policy. Contra cyclical fiscal policy. Limitation of fiscal policy.
2. **Budgetary Policy**: Budget-kinds of government budget. Deficit budget and deficit financing.

9. **The Fiscal Policy**: Activities of the treasury. Sources of government funds-Government expenditures-Effects of government borrowing and budget deficit on the financial system and the economy-Effects of the retirement of government debt from a budget surplus on the financial system and the economy-Overall impact of government borrowing and spending-The size and growth of the public debt-The composition of public debt-Investors in government securities-Methods of offering treasury securities.

**Reference Books:**

1. Monetary theory and Public Policy-Kurithara, K K

2. Monetary Theory-Vaish M C

3. Money and Capital Market-Peter S. Rose

4. Public Finance-Harvey S. Rosen & Ted Gayer

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| **Paper Code: 312411** | **--------** | **Credits: 4** | **Class Hours: 120 hrs.** |
| **Paper Title:** | **Financial Derivatives** | | |

**1. Introduction:** Exchange-traded markets, over the counter markets, forward contracts, futures contracts, options, types of traders, hedgers, speculators, arbitrageurs, dangers.

**2. Mechanics of Futures Markets:** Background, specification of a futures contract, convergence of futures price to spot price, daily settlement and margins, newspaper quotes, delivery, types of traders and types of orders, forward and futures contracts.

**3. Interest Rates: Types** of rates, zero rates, bond pricing, determining treasury zero rates.

**4. Determination of Forward and Futures Prices:** Investment assets vs. consumption assets, short selling, assumptions and notation, forward price for an investment asset, known income, known yield, valuing forward contracts, are forward prices and futures prices equal? Futures prices of stock indices, forward and futures contracts on currencies, futures on commodities, the cost of carry, delivery portions, futures prices and expected future spot prices.

**5. Swaps:** Mechanics of interest rate swaps, the comparative-advantage argument, the nature of swap rates, determining the LIBOR/swap zero rates, valuation of interest rate swaps, currency swaps, valuation of currency swaps, credit risk.

**6. Mechanics of Options markets**: Types of options, option positions, underlying assets, specification of stock options, margin.

**7. Properties of Stock Options:** Factors affecting option prices, assumptions and notation, upper and lower bounds for option prices, put-call parity, early exercise: calls on non-dividend-paying stock, early exercise: puts on a non-dividend-paying stock, effect of dividends.

**8. Trading Strategies Involving Options:** Strategies involving a single option and a stock, spreads, combinations, other payoffs.

**9. Binomial Trees:** One-step binomial model, risk-neutral valuation, two-step binomial tree, A put example, American options, delta, matching volatility with *u* and *d*.

**10. The Black-Scholes-Merton model:** Volatility, concepts underlying the Black-Scholes-Merton differential equation, derivation of the Black-Scholes-Merton differential equation, risk-neutral valuation, Black-Scholes pricing formulas, cumulative normal distribution function, warrants and executive stock options, implied volatilities, dividends.

**Basic Text Book:**

1. Options, Futures, and other Derivatives (6th Edition), John C. Hull.

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| **Paper code : 312413** | **------** | **Credit : 4** | **Class hours : 120hrs.** |
| **Paper title** | **Project Appraisal and Management** | | |

1. **The project Concept:** Project, Project appraisal, Project management, Project cycle.

2. **Generation and Screening of Project Ideas:** Generation of ideas, Monitoring the environment, Corporate appraisal, Preliminary screening.

3. **Project Analysis:** Market and demand analysis, Situation analysis and specification of objectives, collection of secondary information, conduct of market survey, demand forecasting, market planning.

4. **Technical Analysis:** Material inputs and utilities, Manufacturing process, Product mix, Plant capacity, Location and site, Machineries and equipments, Structures and civil works, Project charts and layouts, Work schedule, Need for considering alternatives.

5. **Financial Analysis:** Cost of project, Means of Finance, Estimates of sales and production, Cost of production, Working capital requirement and its financing, Profitability projections, Break-even point, Projected cash flow statements, Projected balance sheets.

6. **Appraisal Criteria:** NPV, IRR, Benefit-cost ratio. Types and measures of project risk, selection of a project.

7. **Social Cost Benefit Analysis:** Rationale for SCBA, UNIDO Approach, Little-Mirrlees Approach, Shadow prices.

8. **Project Management:** Forms of project organization, Project planning, Project control, Human aspect of project management, Pre-requisite for successful project implementation. Network techniques for project management, Development of project network, Pert model, CPM model.

9. **Project Review:** Initial review, Performance evaluation, Abandonment analysis.

**Reference Books:**

1. Prasanna Chandra, Projects: Planning, Analysis, Selection, Implementation and Review, Fourth Edition.

2. J. Price Gittinger, Economic Analysis of Agricultural Projects.

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| **Paper code : 312415** | **------** | **Credit : 4** | **Class hours : 120hrs.** |
| **Paper title** | **Retail and E-Banking** | | |

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| **Fundamentals of E-banking and its Delivery Channels**   * Definition, Benefits and Current Status * Disaster Recovery and Business Continuity planning. * Infrastructure of e-banking * E-channels-Internet, ATM, POST, KIOSK, Call Center. * Centralized and Distributed data base * E-Banking in Bangladesh |
| **Data Communication and Network Infrastructure for E- Banking**.   * Definition, Benefits and Application * Types of Network-LAN,MAN,WAN * Characteristics of Data Communication * Broadband-Baseband * Transmission media-cable and wireless * Satellite vs. Optical Fiber * Submarine Cable Network * Connectivity Devices- Hub, Switch, Router etc. * Internet, Intranet, Extranet, Domain Name etc. |
| **Plastic Money/ E-cash and Electronic Payment System.**   * Definition, Application and Benefits * Classifications-Credit card, Debit card, Smart card, Charge card etc. * Types of card transactions-CP& CNP * Different types of card fraud and preventive measures. * Electronic Payment System and Security issues. * Mobile banking, SMS banking, online banking, ATM, POS |
| **Security Issues of online banking and business**.   * Fundamentals of Network and Internet Security. * Overview of Information Security, Cyber Crime. * C-I-A of Information, Authentication and Non-repudiation, Digital Signature. * Different types of online attack/threats. * Threats of E-Banking * Firewall and Physical Security. * Risk Management and Controls. * Cryptography and Encryption Methods- Public Key and Secret Key Encryption, Digital Signature. |
| **IT Risk and Risk Management Principle of E- banking**.   * Identification and Analysis of IT Risk. * Risk Management Principle. * IS/IT Audit in Banks. * Network Security, Software Installation, Back up policy. |
| **Concept of Different Terminology related to E-Banking and E-Business**.   * BCP/DRP * Outsourcing, RFID, IPS/IDS, I-mode, * ACHS and RTGS * SWIFT, CHIPS, Fed wire * VeriSign CITA, ISP, VPN, and Firewall |
| * Retail banking definition and products * Loan and Deposits in Retail Banking * A/C opening and Closing * Micro finance and SME * Factoring * SME and Micro finance in Bangladesh |

**Book Reference:**

1. Electronic Banking – By Sen education BV.

2. Retal Banking – Raghu Palat

3. Retal and E-Banking – Shibli Rubayatul Islam, DU

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| **Paper code : 312416** |  | **Credit : 2** |  |
| **Paper title** | Term Paper | | |

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| **Paper code : 312418** |  | **Credit : 2** |  |
| **Paper title** | **Viva-Voce** | | |