# **GENERIC ELECTIVE (GE)-BBA (FIA)**

### **ESSENTIALS OF FINANCIAL INVESTMENTS**

#### Credit distribution, Eligibility and Pre-requisites of the Course

Course title	&	Credits	Credit distribution of the			Eligibility	Pre-	Department
Code			course			criteria	requisite	offering the
			Lecture	Tutorial	Practical/		of the	course
					Practice		course	
Essentials	of	4	3	1	0	Class XII	NA	Department
Financial						Pass		of Finance
Investments								and
(GE-5)								Business
								Economics

## **Learning Objectives**

The Learning Objectives of this course are as follows:

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

#### **Learning Outcomes**

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

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

#### **SYLLABUS OF GE-5**

#### Unit 1: Investments - An Overview

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

#### **Unit 2: Risk – Return Analysis**

Concepts of Return and Risk, Types of Return - their Calculation & Utility: Absolute Return, Average Return, Expected Return, Portfolio Return, Holding Period Return, Effective Annualized

Return, Risk-Adjusted Return. Causes (or Sources) and Types of Risk — Systematic and Unsystematic Risk, Components of Systematic and Unsystematic Risk, Calculation of Total, Systematic and Unsystematic Risk. Impact of Taxes and Inflation on Investment — Computation of Post Tax and Real Returns.

# **Unit 3: Security Analysis**

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

# **Unit 4: Fundamentals of Valuation and Portfolio Analysis**

Valuation of Equity Shares – Peculiar features of Equity Shares, Dividend Discount Model, Earning Multiplier or Price-Earnings (P/E) Model, and Capital Asset Pricing Model (CAPM). Valuation of Fixed Income Securities – Bond Fundamentals, Types of Bonds, Bond Valuation. Portfolio Analysis – Portfolio Management Process, Portfolio Analysis – Markowitz Model, Portfolio Risk, Portfolio Return.

#### Practical component (if any) - NIL

#### **Essential/Recommended Readings:**

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

#### **Suggestive Readings:**

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

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