

**DEPARTMENT OF ECONOMICS
DELHI SCHOOL OF ECONOMICS
UNIVERSITY OF DELHI**

Minutes of Meeting

Subject : B.A (Hons.) Economics
Course : SEC 1 – Financial Economics
Date of Meeting : 2nd August & 9th August, 2016
Venue : Department of Economics, Delhi School of Economics
University of Delhi, Delhi –110007

Attended by:

Sr. No.	Name	Name of College
1	Varsha Gupta	SBSC (M)
2	Megha Yadav	SRCC
3	Aastha Jain	LSR
4	N. Shradha Varma	Maitreyi
5	Rakesh Kumar	ARSD
6	Aasheerwad Dwivedi	SRCC
7	Sanghita Mondal	PGDAV (M)
8	Malabika Pal	Miranda House
9	Dipak Prakash	ARSD College
10	Aakanksha Kaushik	Motilal Nehru College
11	Deepak Manchanda	JDMC
12	Gunjit Kaur	SGTB Khalsa College
13	Vaibhav Puri	SGGSCC
14	Sumeet Goyal	DRC
15	Harpreet Kaur	SGGSCC
16	Antima Jain	Maitreyi College
17	Shailu Singh	Hansraj College
18	Taruna Rajora	Dyal Singh College (M)

Sub- Committee Members- Meeting 9th August, 2016

1	Sanghita Mondal	PGDAV (M)
2	Aasheerwad Dwivedi	SRCC
3	Vaibhav Puri	SGGSCC
4	N. Shradha Varma	Maitreyi College
5	Harpreet Kaur	SGGSCC
6	Malabika Pal	Miranda House

Topic wise readings for the **theory portion** of the course:

1. Deterministic cash-flow streams

Basic theory of interest; discounting and present value; internal rate of return; evaluation criteria; fixed-income securities; bond prices and yields; interest rate sensitivity and duration; immunisation; the term structure of interest rates; yield curves; spot rates and forward rates.

David G Luenberger: Chapter 2: The Basic Theory of Interest (excluding 2.6, Theorem on PDV and Theorem on IRR)

Chapter 3: Fixed-income Securities (excluding 3.7)

Chapter 4: The Term structure of Interest Rates (4.1 to 4.4)

Suggested Problem Set: David G. Luenberger: Chapter 2: Exercises 1, 2, 3 &5.

Chapter 3: Exercises-1, 5, 6, 7, 9, 11, 12 & 14.

Chapter 4: Exercises: 2, 3 & 7.

2. Single-period random cash flows

Random asset returns; portfolios of assets; portfolio mean and variance; feasible combinations of mean and variance; mean – variance portfolio analysis; the Markowitz model and the two-fund theorem; risk-free assets and the one-fund theorem.

David G. Luenberger: Chapter 6: Mean- Variance Portfolio Theory [excluding section 6.2, examples- 6.5, 6.7, 6.10, 6.11, 6.12 & 6.13, nonnegativity constraint (page 160-161) and Solution Method (page 167-168)]

Suggested Problem Set: David G. Luenberger: Chapter 6: Exercises 1, 3, 4 &5.

3. Capital Asset Pricing Model (CAPM)

The capital market line; the capital asset pricing model; the beta of an asset and of a portfolio; security market line; use of the CAPM model in investment analysis and as a pricing formula.

David G. Luenberger: Chapter 7: The Capital Asset Pricing Model (excluding 7.6 & 7.8)

Suggested problem Set: David G. Luenberger: Chapter 7: Exercises- 1, 2, 3 & 6.

For the **application part**, the reference would be

Simon Benninga, Financial Modelling, MIT Press, Third Edition, 2008:

Chapter 1: Sections 1.2, 1.3, 1.4, 1.6, 1.8.

Chapter 7: Sections 7.1, 7.2, 7.3

All problems pertaining to the above sections should be covered.

Readings for teachers only:

1. Prasanna Chandra, *Investment Analysis and Portfolio Management*. Fourth Edition. McGraw Hill Education(India) Private Limited, 2012

Chapter 5; Chapter 7 (excluding 7.8); Chapter 8: Sections 8.1 and 8.2 only; Chapter 11 (excluding 11.8)

2. Simon Benninga, *Financial Modelling*, MIT Press, Third Edition, 2008:

Chapter 2: 2.5 and 2.6.1 only; Chapter 9.

The marks division is 75 marks for final examination and 25 marks for internal assessment.

In the internal assessment, 10 marks are to be given for a class test on the theory portion and 10 marks for an assignment on the application part. The remaining 5 marks are for attendance.

It was decided that in the final examination, out of 75 marks, 50 marks would be based on the theory part and 25 marks on the numerical application part. Further, the weightage for the final assessment would be 30 percent from section one (Deterministic cash-flow streams), 30 percent from the second section (Single-period random cash flows) and 40 percent from the third section (CAPM). There will be five questions in the final exam with internal choice, with students having to attempt two out of the three parts.

Readings

1. David G. Luenberger, *Investment Science*, Oxford University Press, USA, 1997.
2. Richard A. Brealey and Stewart C. Myers, *Principles of Corporate Finance*, McGraw-Hill, 7th edition, 2002.
3. Burton G. Malkiel, *A Random Walk Down Wall Street*, W.W. Norton & Company, 2003.
4. Simon Benninga, *Financial Modeling*, MIT Press, USA, 1997.