CONCENTRATION

Finance

FIN 431 Corporate Finance

Course Objectives
The objective of this course is to provide students an understanding of concepts and theories of corporate finance and develop skills to analyse issues in corporate finance for sound financing decisions in businesses.

Course Description
This course offers students advance knowledge on corporate finance and equip them with additional tools and techniques of corporate finance so as to prepare them to analyze financing problems in a wider context. This course deals with introduction to corporate finance, short-term financing, lease financing, long-term financing, convertibles, exchangeables and warrants, and capital structure determination.

Course Outcomes
By the completion of this course, the students should be able to:

- understand the nature of corporate finance along with determinants of optimal capital structure and ethical issues in corporate financing;
- evaluate different options for short-term financing;
- make a choice between the leasing versus buying alternatives;
- evaluate different alternatives for long-term financing;
- analyze warrants and convertibles as options of financing; and
- determine capital structure that enhances the value of the firm.

Course Contents

Unit I: Introduction to Corporate Finance **3 hours**
Nature and significance of corporate finance; financial markets and the corporation; determinants of optimal capital structure; and business ethics and corporate social responsibility in financing decisions.

Unit II: Short-term Financing **8 hours**
Need for short-term financing: short-term versus long-term financing; unsecured short-term financing: accruals and deferred income, trade credit, short-term bank loan, commercial paper; secured short-term financing: inventory financing - floating liens, chattel mortgage, trust receipt loan, field and terminal warehouse receipt loan, accounts receivable financing – pledging account receivables, and factoring account receivables.

Unit III: Term Loan and Lease Financing **8 hours**
Term loan: features and sources; lease financing: meaning and forms of lease financing, evaluating lease financing in relation to debt financing - return to lessor, equilibrium annual lease payment, present value of lease alternative, present value of borrowing alternative, and factors affecting lease versus purchase decisions.

Unit IV: Long-term Debt and Preferred Stock Financing **8 hours**
Features of long-term debt; secured and unsecured bonds; major provisions of preferred stock issues; the use of preferred stock in financing decision; comparative advantages and

disadvantages of long-term debt, bond and preferred stock; and refunding decisions on debt and preferred stock.

Unit V: Common Stock Financing **5 hours**

Common stock financing: rights of holder of common stock: nature of voting rights, cumulative voting, pre-emptive right; methods of selling common stocks: public offering, right offering, private placement; comparative advantages and disadvantages of common stock financing; and concept of venture capital financing.

Unit VI: Convertibles, Exchangeables and Warrants **8 hours**

Convertible securities: conversion price and conversion ratio, conversion value and premium over conversion value, other features, financing with convertibles, forcing conversion; value of convertible securities: debt-plus-option characteristic, straight bond value, premiums, relationship among premiums; exchangeable bonds: features, use in financing; warrants: features, valuation of a warrant, premium over theoretical value, and relationship between values.

Unit VII: Capital Structure Determination **8 hours**

A conceptual look: net operating income approach, traditional approach; the total-value approach: arbitrage support; presence of market imperfection and incentive issues; the effect of taxes; taxes and market imperfection combined; financial signalling; and pecking order approach.

Basic Texts

1. Van Horne, J. C., Wachowicz, J. M., & Bhaduri, S. N. *Fundamentals of financial management*. New Delhi: Pearson Education.
2. Ross, S. A., Westerfield, R. W., & Jordan, B. D.. *Fundamentals of corporate finance*. New Delhi: Tata McGraw-Hill Education India.

References

1. Brigham, E. F. & Houston, J. F. *Fundamentals of financial management*. New Delhi: Cenage Learning India Pvt. Ltd.
2. Paudel, R. B., Baral, K. J. Gautam, R. R., & Rana, S. B. *Financial management*. Kathmandu: Asmita Book Publishers and Distributors.
3. Pradhan, R. S. *Capital structure management*. Kathmandu: Landmark Publications.

FIN 432 Microfinance

Course Objectives
The purpose of the course is to provide students the principles and practices of microfinance institutions and microfinance services. The course also emphasizes on improving skills of the students to prepare microenterprises business plan for self-employment opportunities.

Course Description
This course provides an understanding of the basic principles, practices and services of microfinance industry. It begins with an introduction to microfinance in general and microfinance lending models in particular. Then it proceeds to discussion of various types microfinance institutions and explores their role in development of different sectors of an economy. The course also gives an overview of regulatory regime of microfinance in Nepal. Finally, it deals with entrepreneurship and develop business plan suitable for micro financing.

Course Outcomes
By the completion of this course, the students should be able to:
- explain the nature of microfinance and microfinance models;
- identify the role of microfinance institutions in social and economic development;
- choose appropriate model of microfinance institutions and develop microfinance products;
- familiarize with the microfinance programs in Nepal and appreciate their role in different aspects of national development;
- understand the rules and regulations of microfinance industry in Nepal and apply them in the establishment and operation of microfinance institutions in Nepal;
- prepare micro/ small enterprise business plan; and
- demonstrate ability to conduct the case studies of microfinance institutions.

Course Contents

Unit I: Introduction to Microfinance **6 hours**
Concept and meaning of microfinance; history of microfinance; need of microfinance; key principles of microfinance; microfinance client; microfinance products: microcredit, micro saving, micro insurance, payment and transfers; and distinction between traditional financing and micro financing.

Unit II: Micro Entrepreneur and Microfinance **6 hours**
Concept and importance of micro enterprises and entrepreneurs; business plan for micro enterprises, preparation of business plan.

Unit III: Microfinance Credit Lending Models **6 hours**
Individual lending model; Grameen Bank solidarity lending model; village banking model; cooperative model; self-help group model; rotating savings and credit association, and lending models in Nepal: wholesale lending – RSRF and RMDC, retail lending.

Unit IV: Microfinance Institutions **6 hours**
Objectives of the microfinance institutions; importance of microfinance institutions; attributes of a good microfinance institutions; institutional types; formal financial institutions; semiformal financial institutions; and informal financial providers.

Unit V: Microfinance and Development **4 hours**
Microfinance and women empowerment; microfinance and health; microfinance and microenterprise development; microfinance and education; microfinance and networking; micro insurance policies and practices; and challenges and way outs.

Unit VI: Microfinance in Nepal **8 hours**
National microcredit policy; poverty and microfinance in Nepal; development of microfinance sector in Nepal; preview of microfinance models in Nepal; and critical elements of success in Nepal's micro financing.

Unit VI: Regulations of Microfinance Institutions **6 hours**
Need for regulation; regulations of microfinance industry and small enterprises: registration, operation and reporting; regulating authorities; and relevant acts and byelaws.

Unit VII: Processes and Interest Rates for Microfinance **6 hours**
Sources and process of microfinance; Challenges and difficulties in the process; Cost of finance: interest rate, subsidy schemes and plans, transaction costs for micro entrepreneurs, challenges in costs and interest rate, and way outs.

References

1. Ledgerwood, J. *The new microfinance handbook*. Washington, DC: The World Bank.
2. Panda, D. K. *Understanding microfinance*. New Delhi: Wiley India.
3. Marguerite S. R. *The microfinance revolution*. Washington, DC: The World Bank.
4. Shah, R. K. *Microfinance in Nepal.* New Delhi: Serials Publications.
5. Agrawal, G. R. *Entrepreneurship development in Nepal*. Kathmandu: MK Publishers and Distributors.
6. Sharma, P. R. *Impact of microfinance on women empowerment.* Pokhara: Team Organizing Local Institution.
7. Sharma, P. R. *Sustainability of microfinance institutions: an opinion survey*. Pokhara: Team Organizing Local Institution.
8. Government of Nepal. *National microcredit policy 2007*. Kathmandu: Nepal Rastra Bank.
9. Hisrich, R. D. Peters, M. P., & Shepherd, D. A. *Entrepreneurship*. New Delhi: Tata McGraw Hill Education.

FIN 433 Investment Management

Course Objectives

The course aims to provide students the fundamental knowledge on investing in securities. Specifically, it aims at enabling students to understand financial markets, identify securities for investment, estimate risk and return from the securities and appraise them to form portfolio for investment.

Course Description

This course being the first course in investments begins with a broad overview of investment environment and covers different investment alternatives and their markets. Then it deals with the risk and return of an individual asset as well as that of portfolios, and the selection of optimal portfolio. It discusses how assets are priced by using capital assets pricing model. Finally, it deals with how debt and equity securities are valued for investment decision making purpose.

Course Outcomes

By the end of this course, students should be able to:

- understand investment environment in which they have to undertake investment decisions;
- classify assets on the basis of their features for investment purpose;
- construct stock market indexes and interpret them;
- understand how securities are issued in the market and how they are traded in exchanges;
- calculate risk and return on of an individual asset and that of a portfolio;
- diversify risk by creating efficient portfolios;
- price securities using capital assets pricing model;
- value bonds and calculate yields on bonds; and
- value common stocks using dividend discount models and price-earning models.

Course Contents

Unit I: Investment Environment **4 hours**

Meaning of investment; investment alternatives; securities markets; securities market institutions; investment process; the risk-return trade-off; ethical issues in investing, and Nepalese investment environment.

Unit II: Assets Classes and Financial Instruments **8 hours**

The money market: treasury bills, certificates of deposit, commercial paper, bankers' acceptance, Eurodollars, the Libor rate, yield on money market instruments; the bond market: treasury notes and bonds, inflation-protected treasury bonds, federal agency bonds, international bonds, municipal bonds, corporate bonds, mortgages and mortgage-backed securities; equity securities: common stock – characteristics and listing, preferred stock, depository receipts; stock and bond market indexes: stock market indexes – price-weighted index, value-weighted index, equally-weighted index; Nepal Stock Exchange index, bond market indicators; and derivative markets.

Unit III: Securities Markets **6 hours**
Concept of securities markets; issue of securities; privately held firms and publicly traded companies; shelf registration; initial public offerings; trading of securities; types of markets; types of orders; trading mechanisms; the rise of electronic trading; ECNs; new trading strategies; globalization of stock markets; trading costs; buying on margin; short sales; functions of Nepal Stock Exchange; and role of Nepal Securities Board.

Unit IV: Risk and Return **6 hours**
Concepts of risk and return; measuring investment returns: holding period return, returns over multiple periods, annualizing rates of return, expected return, time series of return; inflation and real rates of return; measuring risk: variance, standard deviation, coefficient of variation; portfolio return and risk of a portfolio of risky and risk-free assets.

Unit V: Efficient Diversification and CAPM **8 hours**
Diversification and portfolio risk; asset allocation with two risky assets; covariance and correlation; the risk-return trade-off with two-risky-assets; the mean-variance criterion; the optimal risky portfolio with a risk-free asset; efficient diversification with many risky assets; the efficient frontier of risky assets; choosing the optimal risky portfolio. The Capital Asset Pricing Model: the model, assumptions, implications, and the security market line.

Unit VI: Bond Prices and Yields **8 hours**
Bond characteristics; treasury bonds and notes; corporate bonds; international bonds; innovation in the bond market; bond pricing; bond pricing between coupon dates; bond pricing in excel; bond yields: yield to maturity, yield to call, realized compound return versus yield to maturity; bond prices over time; yield to maturity versus holding-period return; zero-coupon bonds and treasury STRIPS; after-tax returns; default risk and bond pricing; junk bonds; determinants of bond safety; bond indentures; yield to maturity and default risk; credit default swaps.

Unit VII: Equity Valuation **8 hours**
Valuation by comparables; limitations of book value; intrinsic value versus market price; dividend discount models; the constant-growth DDM; stock prices and investment opportunities; life cycles and multistage growth models; price–earnings ratios: the price–earnings ratio and growth opportunities; pitfalls in P/E analysis; other comparative valuation ratios; free cash flow valuation approaches; comparing the valuation models; limitations of DCF models.

Basic Text

Bodie, Z., Kane, A., & Alan, J. M. *Essentials of investments*. New York: McGraw Hill.

References

1. Alexander, G. J., Sharpe, W. F. & Bailey, J. V. *Fundamentals of investments*. New Delhi: Prentice Hall of India Ltd.
2. Jordan, B. D. & Miller, T. W. *Fundamentals of Investments*. New York: McGraw-Hill Irwin.
3. Reilly, F. K. & Keith, C. B. *Investment analysis and portfolio management*. New Delhi: Cengage Learning (India).

FIN 434 Bank Operations and Management

Course Objectives
The course aims to provide the students with the fundamental knowledge of bank operation and management. It also aims to develop skills for analyzing lending opportunities and deposit mobilization to create appropriate structure of assets and liabilities of banks.

Course Description
This course begins with an overview of the functions and regulatory environment of banking institutions. Then it covers the management of assets side of the balance sheet with a focus on investment, lending and credit evaluation process by banks. Finally, the course provides the management of liability side of the bank with a focus on deposit mix, its pricing and weighted average cost of the fund.

Course Outcomes
By the end of this course, students should be able to:

- understand the fundamentals about bank such as type, functions, assets and liabilities, and profitability of banks;
- familiarize with the regulatory environment in which banks operate;
- manage assets and liabilities of banks by analyzing interest rate sensitivities and measuring gaps;
- familiarize with investment policies, goals and strategies of banks;
- identify investment alternatives and analyze inherent risk in the alternatives;
- carry on credit evaluation process by analyzing financial statements of the borrower;
- administer commercial and industrial lending;
- administer real estate and consumer lending;
- determine structure of bank liabilities; and
- compute cost of funds and perform cost analysis for lending.

Course Contents

Unit I: Functions and Forms of Banking **5 hours**
Meaning and types of bank; functions of bank; size and share of commercial banks; major factors affecting banking and market shares; assets and liabilities of commercial bank; bank profitability; and risk in banking.

Unit II: The Bank Regulatory Environment **5 hours**
The need for regulation; banking regulations – features and coverage of Banking and Financial Institutions Act, directives and guidelines of Nepal Rastra Bank; the role of Nepal Rastra Bank in the regulation of commercial banks.

Unit III: An Overview of Asset-Liability Management **6 hours**
Historical perspective of asset-liability management; alternatives in managing interest rate risk; measuring interest rate sensitivity and the dollar gap; duration gap analysis; simulation and asset-liability management.

Unit IV: Investment Management **4 hours**

Developing investment policies and goals; types of investment securities; evaluating investment risk; and investment strategies.

Unit V: Credit Evaluation Process **6 hours**

Credit scoring; credit rating; financial analysis; ratio analysis; common-size statement analysis.

Unit VI: Commercial and Industrial Lending **8 hours**

The role of asymmetric information in lending; the competitive environment; loan policy; making loan; principal lending activities; collateral: characteristics of good collateral, types of collateral; the lending process: evaluating a loan request, structuring commercial loan agreement, pricing commercial loans, monitoring and loan review.

Unit VII: Real Estate and Consumer Lending **7 hours**

Real estate lending: characteristics of mortgage loan; the real estate portfolio; residential mortgage loan; additional terms; alternative mortgage instruments; commercial real estate loan; consumer lending: types of consumer loan, leases, finance charges, annual percentage rate, real estate and consumer credit regulation.

Unit VIII: Liabilities Management **7 hours**

Structure of bank liabilities: deposit sources of funds, non-deposit sources of funds; balance sheet structure of bank liabilities; managing bank liabilities: formulating pricing policy, deposit pricing matrix, the pricing committee, components of pricing decision, profitability and deposit pricing, lending and deposit costs, customer relationship pricing, promotional pricing, other marketing elements related to pricing; costs of bank fund; weighted average cost of funds; purposes of cost analysis; and marginal costs of funds.

Basic Text

Gup, B. E. & Kolari, J. W. *Commercial banking*. New Delhi: Wiley India.

References

1. Rose, P. S., & Hudgins, S C. *Bank management and financial services.* New Delhi: Tata McGraw-Hill Education.
2. Koch, T. W., & MacDonald, S. S. *Bank management*. New Delhi: Cengage Learning.
3. Chaudhari, M. *An introduction to banking – liquidity risk and assets liabilities management*. West Sussex, UK: Wiley.
4. Koirala, P. *Essentials of commercial bank management.* Kathmandu: Ekta Books.

FIN 435 Risk Management and Insurance

Course Objectives
This course aims to provide students with basic understanding of fundamental aspects of risk and insurance. At the end of the course the students will have basic understanding of risk management functions and its importance to individual and organisation along with knowledge about the different types of insurances and their functions.

Course Description
This course introduces students the concepts of risk, risk management process and importance of risk management to individual and corporation. The course also helps students understand fundamentals legal principles of insurance, regulation of insurance industry, insurance intermediaries, and functions of insurers.

Course Outcomes
By the end of this course, students should be able to:
- understand the concept of risk and risk management;
- familiarize with fundamentals legal principles of insurance;
- understand regulations governing insurance business;
- choose appropriate insurance policies related to life and health insurance;
- choose appropriate insurance policies related to property and liabilities insurance; and
- understand the role insurance intermediaries and functions of insurers.

Course Contents

Unit I: Introduction to Risk **6 hours**
Meaning of risk; peril and hazards; uncertainty versus risk; types of risk; methods of handling risk; and burden of risk to society.

Unit II: Risk Management and Insurance **6 hours**
Meaning of risk management; objective of risk management; risk management process; enterprise risk management; requirement of insurable risk; insurance and hedging; insurance and gambling; and benefits of risk management.

Unit III: Fundamentals Legal Principles of Insurance **8 hours**
Basic characteristics of insurance; distinct legal characteristics of insurance contracts; characteristics of insurable contract; basic parts of insurance contract; exclusions; endorsement and riders; deductibles; coinsurance; and principles of insurance.

Unit IV: Regulation of Insurance Industry **5 hours**
Meaning of insurance regulation; need for insurance regulation; methods of regulating insurance; solvency regulation; evolution of insurance regulation in Nepal; Insurance Board: formation, scope, authority, and major functions.

Unit V: Life and Health Insurance **6 hours**
Importance of life insurance; types of life insurance products; life insurance contracts; basics of health insurance; individual health insurance coverage; hospital-surgical insurance; disability income insurance; and group health and life insurance policies.

Unit VI: Property and Liabilities Insurance **6 hours**

Types and features of general insurance: fire, marine, motor, aviation, engineering and contractors' all risk insurance; workers compensation; liabilities insurance; reinsurance, and social insurance.

Unit VII: Insurance Intermediaries **6 hours**

Role of insurance agents, brokers, surveyors, loss assessors; code of conduct of insurance intermediaries; third party administrator; and licensing of agent, surveyor, and broker.

Unit VIII: Functions of Insurers **5 hours**

Insurance company operation: rate making, production, underwriting, claims settlement; investment functions; and miscellaneous functions.

Basic Texts

1. Vaughan, E. J., & Vaughan, T. M. *Fundamentals of risk and insurance* . New Delhi: Willey India.
2. Harrington, E. S., & Niehaus, R. G. *Risk management and insurance* . New Delhi: Tata McGraw Hill.

References

1. Williams, C. A., Smith, M. L., & Young, P. C. *Risk management and insurance*. Ohio: McGraw Hill.
2. Dorfman, M. S. *Introduction to risk management and insurance* : New Delhi: Pearson Education.
3. Rejda, G. E. & McNamara, M. J. *Principles of risk management and insurance.* New Delhi: Pearson Education.

FIN 436 Fundamentals of Financial Derivatives

Course Objectives

The objective of the course is to familiarize students with the basic financial derivative instruments and their pricing principles. In particular, this course focuses on the economics of pricing derivative instruments, such as option, future, forward, swap. This course also enables to design the strategies using the different types of financial instruments for hedging risk.

Course Description

This course is the basic course in financial derivatives. Therefore, it begins with an introduction to financial derivatives and derivative markets and moves to basic principles of options and option pricing. Then it deals with forward and future markets, swaps, and over-the-counter derivative instruments; and finally, deals with derivative markets in the context of Nepal.

Course Outcomes

By the end of this course, students should be able to:

- understand basic concepts, theories and practices related to derivative securities and derivative markets;
- understand option related terminologies, interpret option quotations and calculate payoff from option positions;
- value options using binomial and Black-Scholes-Merton option valuation models;
- pricing forward and future contracts and use them for hedging against risk;
- understand the significance of various swaps;
- familiarize with over-the-counter derivative instruments;
- calculate the value of different types of derivative instruments;
- analyze options, swaps, forwards and futures for designing investment strategies; and
- understand the derivative markets in Nepal.

Course Contents

Unit I: Introduction **5 hours**

Concept and development of derivatives and derivatives markets; derivative markets instruments; core concepts in financial and derivative markets; spot and derivative markets; role of derivative market; myths in derivative markets; ethics in derivative markets; career in derivative markets; uses of derivatives in risk management.

Unit II: Structure of Option Markets **5 hours**

Option terminologies; development of options markets; call and put options; over-the-counter options market; exchange-listed option trading; mechanics of trading; option quotation; types of options; transaction costs in option trading; regulation of option markets.

Unit III: Option Pricing Principles and Model **12 hours**

Principles of call and put option pricing; call-put parity; Binomial options pricing model: features, single and multi-period European call and put binomial model; Black-Scholes-Merton options pricing model: assumptions, formula, factors affecting option price.

Unit IV: Forward and Future Contracts **12 hours**

Development of forward and future markets; forward vs. future markets; future traders; mechanics of future trading; principles of pricing forwards and futures: interest, cost of carry, convenience yield, and risk; difference between forward and future prices and the sources of difference; hedging with forward and futures: basis, short and long hedging, hedge ratio, and the risk of hedging.

Unit V: Swaps **5 hours**

Concept and nature; features of swaps; introduction to interest rate swaps, currency swaps and equity swaps.

Unit VI: Over-the-Counter Products **4 hours**

Interest rate options: caps, floors and collars; swap options; exotic options; credit derivatives: credit default swap, credit default exchange swap, credit spread derivatives, total return swap and credit-linked note; difference between securitization and credit derivatives

Unit VII: Derivative Markets in Nepal **5 hours**

Development of derivative market in Nepal; instruments traded in the market; mechanics of trading; regulation of derivative markets in Nepal; issues in derivative markets in Nepal.

Basic Texts

1. Chance, D. M., & Brooks, R. *An introduction to derivative and risk management*. New Delhi: Cengage Learning India Pvt. Ltd.
2. Kumar, S. S. S. *Financial derivatives*. New Delhi: Prentice-Hall of India.

References

1. Hull, J. C., & Basu, S. *Options, Futures, and other derivatives*. New Delhi: Pearson Education.
2. Parasuraman, N. R. *Fundamentals of financial derivatives*. New Delhi: Wiley India.
3. Manandhar, K. D., & Dahal K. *Financial Derivatives and Risk Management*. Kathmandu: Buddha Academic Publishers.

FIN 437 Financial Institutions and Markets

Course Objectives
The objective of this course is to provide students with the conceptual framework and theoretical foundation necessary to understand the organization, structure, regulations and functioning of the various financial institutions and markets operating in an economy.

Course Description
This course provides broad overview of the structure, function and the role of financial institutions and markets in the economy. Students will have an opportunity to study important financial institutions such as central bank, commercial banks, investment banks, insurance companies, pension funds and investment companies. They will also study the organization, instruments and participants of money, bond and stock markets. Finally, they will also study the level, term-structure and the theories related to the interest rates.

Course Outcomes
By the end of this course, students should be able to:

- understand fundamental concepts of financial institutions and markets including the role of financial system in the economy;
- describe the function of the central bank including the tools it uses to affect the economy;
- explain theories that describe the level and term structure of interest rates;
- identify money markets securities, compute yields and analyze the risk on money market securities;
- explain the features of long-term debt securities, their ratings, indexes and markets;
- understand how the stock market operates and how the stock indexes are constructed and interpreted;
- analyze size, structure and composition of commercial banking industry;
- identify the sources and uses of funds of commercial banks;
- analyze various types of risks in commercial banking industry;
- explain the regulation of deposits, operations and the capital of commercial banks; and
- explain functions performed by other types of financial institutions – insurance companies, mutual funds, pension funds, securities firms and other lending and saving institutions.

Course Contents

Unit I: The Role of Financial Institutions and Markets 4 hours
Meaning of financial markets and institutions; functions of the financial markets; classification and diversity of financial markets; types of financial institutions and their functions; classification of financial institutions in Nepal.

Unit II: Central Banking 4 hours
Meaning and functions of central bank; monetary policy tools of the central bank; effects of monetary tools on various economic variables; Nepal Rastra Bank and monetary policy tools in Nepal.

Unit III: Determination and Structure of Interest Rates **5 hours**

Determination of interest rates: loanable fund theory; economic forces affecting interest rates; forecasting interest rates. Structure of interest rates: characteristics of debt securities and yield variation; explaining actual yield differentials; theories of term structure of interest rates; uses of the term structure.

Unit IV: The Money Market **5 hours**

Introduction of money market; yields on money market securities; money market securities; money market participants; international money market; risk of money market securities.

Unit V: The Bond and Stock Market **10 hours**

Bond markets: bond market securities – Treasury notes and bonds, strips; municipal bonds – types and trading process; corporate bonds – bond characteristics, bond ratings, bond market index, comparison of bond market securities; international bond market securities – euro bonds, foreign bonds, Brady bonds and sovereign bonds. Stock market: stock market securities – common stock and preferred stocks; primary and secondary stock markets; stock market indexes; regulations of stock market and the role of Nepal Securities Board; international stock market.

Unit VI: Commercial Banks **10 hours**

Services provided by commercial banks; size, structure, and composition of the industry; technology in commercial banking; sources and uses of funds of commercial banks; off-balance sheet activities; regulatory structure of banks; regulation of bank deposit, operation and capital; risk in commercial banks – credit risk, liquidity risk, interest rate risk, market risk, off-balance sheet risk, foreign exchange risk, country risk, technology and operational risk, insolvency risk.

Unit VII: Other Financial Institutions **10 hours**

Insurance companies: life insurance companies – size, structure and composition of the industry; property-casualty insurance companies – size, structure and composition of the industry; regulation of insurance companies. Mutual fund: size, structure and composition of the industry; different types of mutual fund; mutual fund prospectus and objectives; net assets value; mutual fund costs. Pension fund: insured versus noninsured funds, defined benefit versus defined contribution pension funds, private pension funds versus public pension funds. Security firms and investment banks: services offered by securities firms versus investment banks. Other lending and saving institutions: meaning and functions of saving associations, saving banks, credit unions, finance companies.

Basic Texts

1. Saunders, A., & Cornett, M. M. *Financial markets and institutions*. New Delhi: Tata McGraw-Hill Education.
2. Madura J. *Financial markets and institutions.* Singapore: Cengage Learning.

References

1. Meir K. *Financial Institutions and Markets.* New Delhi: Oxford University Press.
2. Fabozzi, F. J., Modigliani, F., Jones, F. J., & Ferri, M. *Foundations of Financial Markets and Institutions*. Delhi: Dorling Kindersley.

3. Bhandari, D. B. *Financial Institutions and Markets.* Asmita Books Publishers & Distributors.
4. Bhole, L. M. and Mahakud, J. *Financial Institutions and Markets*. New Delhi: Tata McGraw Hill Education.