

## Sixth Semester Syllabus

S. No.	Course Code	Course Name	Credits	Remarks
1		Marketing of Financial Services	3	
2		Taxation and Auditing	3	
3		Municipal Finance	3	
4		Fundamentals of Financial Derivatives	3	
5		Project Work	3	
Total			<b>15 Credits</b>	

# FIN 207: Marketing of Financial Services

*Credit: 3*  
*Lecture Hours: 48*

## **Course Objective**

This course aims to develop student's insights into the specific nature and problems of marketing of financial services. The course is specifically targeted to inculcate skills for developing strategic considerations for marketing of financial services.

## **Course Description**

This course has been designed to meet the challenges of the competitiveness in the financial service market in Nepal. It focuses on the specific needs of the BBA-Finance students who not only have to learn the management of the financial functions but also handle the marketing of the services. The course includes specific issues related with service marketing and strategic issues related to marketing of financial services in general. It provides an understanding of the unique nature of service products and strategies to deal with them; service marketing issues; an analysis of the national financial service marketing environment; financial service customers' characteristics and buying process; segmentation and positioning of financial services; managing the 7ps of financial services.

## **Course Learning Outcomes**

On completion of this course the students will be able to:

- Demonstrate an understanding of the basic nature of service products and strategic considerations for dealing with the unique nature of service product;
- Describe the key considerations for marketing of service products;
- Understand the micro and macro environmental variables for the financial market in Nepal;
- Demonstrate an understanding of the global financial trends and emerging financial services sectors in Nepal.
- Describe the nature and types of financial customers and their buying process;
- Recognize the financial service segmentation and positioning approaches;
- Demonstrate a skill in managing the financial service mix (the 7ps).

## **Course Details**

### **Unit 1: Introduction**

**8LHs**

Concept and nature of service; Characteristics of service products: intangibility, inseparability, variability, and perishability; Strategic considerations for managing the uniqueness of the service products; Meaning and nature of service marketing; Driving forces for growth in service marketing; Service marketing triangle, and Service profit chain; Introduction to the service marketing mix (7Ps).

### **Unit 2: Marketing Environment for Financial Services**

**8LHs**

Micro environment for financial services: the financial service market in Nepal, Nepalese service customers, competition in service institutions, NRB as the regulator; Macro environment and its effects: the Nepalese economic trends, demographic trends, effects of law and politics, socio-cultural dynamism in Nepal, technological innovations in financial service marketing (online banking, e-wallets, scan and pay etc.); The key driving forces of the Nepalese financial service market; Emerging financial services in Nepal; Global trends in financial services.

**Unit 3: The Financial Customer and Relationship Marketing****8 LHs**

Types of financial customers: individual and institutional customers; Buying process of institutional and individual customers; Factors affecting choice of financial services by individual and institutional customers; Customer value and satisfaction drivers in Nepalese financial services; Concept and importance of relationship marketing in financial services; Relationship focuses of Nepalese financial service institutions.

**Unit 4: Segmentation and Positioning of the Financial Services****8LHs**

Financial service market segmentation practices; Segmentation of the individual consumer financial service market; Segmentation of the institutional customer financial service market; Concept and importance of target marketing and positioning in financial service marketing; Identifying positioning opportunities in financial services in Nepal.

**Unit 5: Management of the Financial Service Marketing Mix****16LHs**

Product - Types of financial service products; Product life cycle of financial service products; Branding of financial service products; New financial product innovations and copying behavior by service organizations; Pricing - Challenges for pricing of financial services; Pricing of financial service offers (independent and control factors); Price discriminations; New financial service pricing options; Place or Distribution- Channels in financial service marketing; Branch location strategies; Alternative financial service channels: internet and mobile based channels; Role of agents in Nepalese financial service marketing; Promotion- The Above-the-line, below-the-line, and through-the-line promotion channels; Financial service promotions in the rural markets; Communication messages and advertising appeals used in promotion of financial services in Nepal; People- Role of employees in marketing of financial services; Recruitment, training, placement, motivation, and career development opportunities for employees in Nepalese financial institutions; Process- The process as a differentiation factor in Nepalese financial institutions; The financial service processing for a customer before, during, and after the sale of financial service in Nepal; Physical Evidence - Role of physical evidence in marketing of financial services; Servicescape focus of Nepalese financial service providers; Brand communication through the physical evidence.

**Basic Book**

Pezzullo, M. A. *Marketing Financial Services*. New York: Macmillan.

**References**

Bapat, D. *Marketing of Financial Services*. New Delhi: Willey India

Ehrlich, E., & Fanelli, D. *The Financial Services Marketing Hand Book, Tactics and Techniques that Produce Results*. Princeton: Bloomberg Press

Ennew, C., & Waite, N. *Financial Services Marketing: An International Guide to Principles and Practice*. Burlington, MA: Elsevier

Nagdeman, J. *Financial Services Marketing*. New Jersey: John Wiley & Sons

Koirala, K. D. *Fundamentals of Services Marketing*. Kathmandu: M. K. Publishers.

# ACC 204: Taxation and Auditing

Credit: 3  
Lecture Hours: 48

## Course Objective

The objective of this course is to provide students with the knowledge of general principles and practices of tax law in Nepal and develop in them the basic skills required to solve practical problems regarding Income Tax and VAT. The course further aims to provide student with the basic knowledge, concepts, objectives, importance and procedure of auditing, thereby enabling them to handle internal audit of concerned organizations.

## Course Description

This course “Taxation and Auditing” is designed to understand and apply the knowledge of taxation and auditing in the process of business administration. It contains two parts: taxation and auditing. In taxation students will be familiar with the subject matters such as conceptual foundation, taxation of income in Nepal, definition of basic terms under income tax act, tax accounting and timing, quantification, allocation and characterization of amounts, capital and revenue, classification and status of assessees (tax payers), heads and sources of income, computation of taxable income and tax liability from employment, business and investment, tax administration and official documentations, penal provision, and value added tax (VAT). In auditing, students will be familiar with the topics such as conceptual foundation, planning of an audit, internal check and control, vouching, verification and valuation, audit report and auditing standard.

## Course Learning Outcomes

On completion of this course the students will be able to:

- Understand the fundamental concept of taxation and auditing;
- Calculate taxable income and tax liability from different heads of income (employment, business and investment);
- Submit VAT return for taxable goods and services under value added tax;
- Maintain complete tax related documentations as per tax regulations and follow the directives of tax administration;
- Understand the significance of auditing in an organization;
- Prepare and execute audit plan;
- Conduct audit and prepare audit report as per auditing standard.

## Course Details

### Unit 1: Introduction to Taxation

2LHs

Meaning and objectives of tax; Classification of taxes; Canons of taxation.

### Unit 2: Taxation of Income in Nepal

6LHs

Historical background of evolution of income tax in Nepal; Features of Income Tax Act, 2058; Definition of basic terms under Income Tax Act; Tax accounting and timing: accounting based on cash, accounting on accrual basis, quantification, allocation and characterization of amounts; Capital and revenue: capital and revenue receipts, capital and revenue expenditure, capital and revenue losses; Classification and status of assessee (Taxpayers): natural person and entity, resident and non-resident, single and couple; Heads and sources of income: concepts, classification: income from employment, income from business, income from investment, casual gain, sources of incomes: domestic and foreign.

**Unit 3: Tax Exemptions, Concessions, Tax Rates and Withholding Payments 5 LHs**

Common deductions on taxable income: contribution to retirement fund, contribution made to philanthropic purpose (donation/gift); Expenses not allowed for deduction, tax rates, rebates and concessions to an individual and entity; Special provision for natural person, entities and retirement savings, provisions for losses.

**Unit 4: Computation of Taxable Income and Tax Liability from Employment 6 LHs**

Income included under the head of employment; Non taxable/non chargeable income; Valuation of perquisites; Allowable reduction; Assessable income; Taxable income; Tax liabilities and payable.

**Unit 5: Computation of Taxable Income and Tax Liability from Business 10 LHs**

Income included under head of business; Admissible expenses: general deduction, interest, cost of trading stock, repair and improvement cost, depreciation, pollution control cost, research and development cost, previous losses, bad debts and other expenses; Assessable income, taxable income and tax liabilities: professional business, sole proprietorship business, private and public companies, trading, manufacturing and services business.

**Unit 6: Computation of Taxable Income and Tax Liability from Investment 3LHs**

Income included under head of investment; Income from the disposal of non-business chargeable assets; Admissible expenses, assessable income and taxable income and tax liabilities; Taxation on Capital Gain: tax on gain on sale of shares and non business land and building; Computation of Total Taxable Income (in case of more than one source of income); Tax Liability.

**Unit 7: Tax Administration and Official Documentations 3 LHs**

Tax authorities and their powers, rights and duties; Rights and duties of a taxpayer; Documentation, record keeping and information collection; Income return and tax assessment; Payment, collection (recovery/realization), remission, refund and set-off; Penal Provision; Provision of fees and interest; Provision of penalties for offences; Administrative review and appeal.

**Unit 8: Value Added Tax 3LHs**

Concept of value added tax (VAT); Origin and evolution of VAT; Principle governing VAT; Types of VAT; Method of computing VAT; Method of collection/realization and refund of VAT; Penalties and appeal; Permanent Account Number and VAT number; Abbreviated invoice and VAT invoice.

**Unit 9: Introduction to Auditing 2LHs**

Meaning, scope, objectives and advantages of audit; Evolution of auditing practices in Nepal; Accounting, auditing and investigation; Types of errors and frauds; Detection and prevention of errors and frauds with practical dealings; Types of auditing; Qualities, qualification, appointment and rights and duties of an auditor

**Unit 10: Audit Functions 6 LHs**

Planning an audit - preparation before an audit: instruction to client, distribution of work to audit staff; Audit programme: contents, techniques and preparation of audit programme; Audit note books: objectives, contents; Audit working papers: concept, objectives and advantages; Internal check: concept, objectives, characteristics, advantages and disadvantages; Internal control: concept and characteristics; Internal audit: concept and importance of internal audit, role of internal auditor; Statutory audit:

concept, importance and objectives; Difference between vouching, verification and valuation; Consideration before vouching.

**Unit 11: Audit Report and Auditing Standard**

**2LHs**

Concept, contents and types of audit report; Concept, objectives and importance of auditing standard.

**Basic Books:**

Dhakal, K.D., Pandey, B., Bhattarai, R., Bhattarai, I & Koirala, GP. *Fundamentals of Taxation and Auditing*, Kathmandu: Asmita Books Publishers and Distributors  
Ramaswamy, M.S. *Auditing*. New Delhi: S. Chand and Co.

**References:**

Government of Nepal. *Income Tax Act, 2058* with amendment.  
Government of Nepal. *Income Tax Rules, 2059* with amendments.  
Government of Nepal. *Value Added Tax Act, 2052* with amendments.  
Government of Nepal. *Value Added Tax Rules, 2053* with amendments.  
Government of Nepal. *Auditing Act, 2048* with amendments.  
Government of Nepal, *Finance Act*.  
Auditing Standards Board of Nepal. *Nepal Standard on Auditing*.  
Lekhi, R.K. *Public Finance*, New Delhi: Kalyani Publishers  
Saxena, R.G. *Principles of Auditing*. Mumbai: Himalayan Publishing House, Bombay.  
Dhakal, K.D., Bhattarai, R., Bhattarai, I & Koirala, GP. *Corporate Taxation in Nepal*.  
Kathmandu: Asmita Books Publishers and Distributors  
Sundaram, K.P.M. and Andley, K.K. *Public Finance: Theory and Practice*. New Delhi: S. Chand & Co.  
Dhakal, K.D., Bhattarai, I. and Koirala, G.P. *The Principles and Practice of Auditing*.  
Kathmandu: Asmita Books Publishers and Distributors  
Tandon, B. N. *Practical Auditing*. New Delhi: S. Chand and Co.  
Pandey, D.L. *Auditing*. Kathmandu: Asia Books Distributors Pvt. Ltd.

# FIN 208: Municipal Finance

*Credit: 3*  
*Lecture Hours: 48*

## Course Objectives

The course aims to provide the students the fundamental understanding on the municipal finance in general and in specifically this course provides them theoretical knowledge on sources of revenue, transfer income, budgeting process and financial analysis and financial autonomy. The course also aims to familiarize students with current issues on local government finance in Nepal.

## Course Description

This course provides the fundamentals of municipal finance with a special emphasis on relevancy of municipal financial management, trend in municipal finance, principles of municipal finance, municipal revenue, intergovernmental transfer, financing capital expenditure, municipal budgeting, reporting and auditing, municipal borrowing and access to capital market.

## Course Learning Outcomes

On completion of this course the students will be able to:

- Find out the trend in municipal finance and understand the role of finance division in the organization of municipality of Nepal;
- Discuss the role and functions of local government in the economic development at local level;
- Discuss the internal and external sources of municipal revenue and analyze the structure of different sources of municipal revenue;
- Understand the inter-government transfer and issue of inter-government transfer of funds;
- Discuss about the capital expenditure financing modality of municipalities and practices of Nepalese local government in financing the capital expenditure;
- Describe the budgeting process of municipalities and financial reporting and internal auditing system of local government;
- Discuss the different types of municipal debt instrument and understand the role of TDF in financing urban infrastructure.

## Course Details

### Unit 1: Introduction

**5LHs**

Concept and meaning of municipal finance; Relevancy of municipal financial management in Nepalese context; Issues and challenges; Trend in municipal finance: fiscal decentralization, emphasis on land property tax, public-private partnership, accountability in budgeting, improved financial management; Organization and place of finance division in the organization of municipality in Nepal.

### Unit 2: Principles of Municipal Finance

**5LHs**

Role of local government in the economy; Types of local government in Nepal; Major functions of local governments (rural municipalities and municipalities); The benefit model of local government: service with private good characteristics, service with public good characteristics, services that redistribute income and services with spillovers; Public finance principles.

### Unit 3: Municipal Revenue

**12 LHs**

Types of municipal revenues: tax and non-tax revenue; Characteristics of a good local tax; Property taxes: unique characteristic of property taxes, mechanics of property taxes, property identification, assessment base, tax rates, tax collection and short coming of

property taxes; Property taxes in Nepal: base and evaluation of property and calculation of property taxes; Personal income taxes; Corporate income taxes; Payroll taxes; General consumption taxes; Excise taxes; vehicle taxes, Hotel occupancy taxes; Benefit taxes; User fees: types of users fees, principles of pricing the user fees and problems in pricing the municipal services; Taxes and user fees of local government of Nepal: a case of rural municipality and municipality.

#### **Unit 4: Intergovernmental Transfer**

**5LHs**

Concept and meaning of intergovernmental transfer; Types of intergovernmental transfer; Rationale for transfer: vertical fiscal imbalance, horizontal imbalance, externalities and political rationales; Problems with transfers; Design of transfer; Intergovernmental transfer in Nepal.

#### **Unit 5: Financing Capital Expenditure**

**6LHs**

Concept of capital expenditure in municipal finance; Financing of capital expenditures: funds from operating revenue, intergovernmental transfer, mobilizing private capital, municipal borrowing, development charge, tax increment financing, and land value capture tax; Public private partnerships: concept, modalities of public private partnership, local government acts and regulation of public private partnership, and practice of public private partnership in Nepalese municipalities; Practice of capital financing in Nepal.

#### **Unit 6: Municipal Budgeting, Financial Reporting and Auditing**

**10LHs**

Concept of municipal budget and budgeting; Types of municipal budgets: operating budget and capital budget; Steps in capital budgeting; Stages of municipal budgetary process; Financial reporting and reporting standard; Performance based financial analysis (comparison between budgeted and actual one) and measurement of financial autonomy; Internal and final auditing; Public auditing system.

#### **Unit 7: Municipal Borrowing and Access to Capital Market**

**5LHs**

Role of municipal borrowing; Pooling municipal debt; Borrowing instruments: general obligation bonds and revenue bonds; Borrowing capacity of municipalities; Role of Town Development Funds as a financial intermediary.

#### **Basic Book**

UN Habitat. *Guide to Municipal Finance*. Nairobi: UN Habitat.

#### **References**

Farvacque-Vitkovic, C. & Kopanyi, M (editors). *Municipal Finances: Handbook for Local Governments*. Washington: World Bank.

Town Development Funds. *Municipal Finance Framework for the National Urban Development (NUDS) of Nepal*. Kathmandu: TDF.

Town Development Funds. *Enhancing Municipal Finance in Nepal*. Kathmandu: TDF.

European Union. *Local Finance Benchmarking: A Shared Tool for Improved Financial Management*. Stengourge: Council of Europe.



# FIN 209: Fundamentals of Financial Derivatives

Credit: 3  
Lecture Hours: 48

## Course Objectives

The objective of this course is to develop an understanding of basic concepts and terminologies used in financial and derivative market and enable students to understand various types of financial derivative instruments traded in the global financial market. Students will also acquire skills for calculating the price of options, futures and swap contracts. Students will also be familiar with the mechanism of trading of derivative securities in OTC and exchanges. They will also be able to identify the interest rate risk, portfolio risk and commodity price risk and use derivative securities in mitigating these risks.

## Course Description

This course is designed to aid students in developing an understanding of the major principles, techniques and functions of derivative markets and their respective instruments. The course introduces students with the basic concepts and terminologies used in financial and derivative markets. Students will also learn the structure, pricing and valuation of option, forward, futures and swap. The course will also deal with the analyses of different risks and use of derivatives to hedge and mitigate these risks.

## Course Learning Outcomes

On completion of this course the students will be able to:

- Develop an understanding of basic concepts and terminologies used in financial and derivative market;
- Define various types of financial derivative instruments traded in the global financial market and examine how spot and derivative markets are linked;
- Calculate the price of options, futures and swap contracts and make investment decision;
- Discuss the mechanism of trading of futures and option exchanges;
- Compare the advantages and disadvantages of exchange-traded derivatives and Over-The-Counter (OTC) traded derivatives;
- Identify the interest rate risk, portfolio risk and commodity price risk and apply option, futures, forward and swap in managing these.

## Course Details

### Unit 1: Introduction

5LHs

Derivative instruments and markets; Types of derivatives; The underlying assets; Important concepts in financial and derivative markets; Role of derivative market; Criticisms of derivative markets; Career opportunities in derivatives markets.

### Unit 2: Structure of Derivative Market

6 LHs

Origin and development of derivative market in world and in Nepal; Exchange listed derivative trading: standardization of contract; Mechanism of trading: physical versus electronic trading; Order matching process; Opening and closing of order; Expiration and exercise procedure; Clearing and settlement; Over-the-counter derivative trading; Market participants; Transaction costs.

### Unit 3: Option Payoffs and Valuation

8LHs

Types of option; Option styles; Option payoff and profit diagrams; Concept of option

pricing; Option pricing models: Cox, Ross and Rubinstein (binomial) model – one-period model valuation of call and put, hedge portfolio and arbitrage; Two-period valuation of European call and put; Black-Scholes-Merton (BSM) model of option valuation; Variables in BSM model.

#### **Unit 4: Forward and Futures**

**9 LHs**

Concept of price and value; Cost of carry model of forward/futures pricing; Value of forward contracts; Futures on stock indices; Valuation of futures contract; Carry arbitrage; Pricing and valuation of option on futures; Hedging using futures: why hedge, long and short hedge, the basis and convergence of futures to spot some risk of hedging, margin requirement and marking-to-market.

#### **Unit 5: Swap Market**

**8LHs**

Structure of swap market; Interest rate swap: structure, pricing, valuation and application; Currency swap: structure, pricing, valuation and application; Equity swap: structure, pricing, valuation and application.

#### **Unit 6: Interest Rate Forward and Option**

**6 LHs**

Forward rate agreement (FRA): structure, pricing, valuation and application; Interest rate option: structure, pricing and valuation; Interest rate caps and floors; Interest rate swaptions: structure, pricing and application; Forward swap: structure and application.

#### **Unit 7: Derivative Markets and its Regulation in Nepal**

**6 LHs**

Development of derivative markets in Nepal; Economic perspective of derivative markets; Instruments traded in futures exchanges; Trading mechanism and procedure; Major provisions of Commodity Exchange Act 2018, and Commodity Exchange Regulation 2018; Use of derivatives by commercial banks in Nepal.

#### **Basic Book**

Chance, D. M., Brook R., & Dhamija S. *An Introduction to Derivatives and Risk Management*. New Delhi: Cengage Learning.

#### **References**

Hull, J. C. & Basu, S. *Options, Futures, and Other Derivatives*. New Delhi: Pearson India.

Johnson, R. S. *Derivative Market and Analysis*. New Jersey: John Wiley & Sons

Kolb, R. W. & Verdahl, J. A. *Financial Derivatives: Pricing and Risk Management*. New Jersey: John Wiley & Sons.

Parasuraman, N. R. *Fundamentals of Financial Derivatives*. New Delhi: Wiley India.

Taylor, F. *Mastering Derivatives Markets: A Step-by-Step Guide to the Products, Applications and Risks*. New Delhi: Pearson India.