

Seventh Semester Syllabus

S.No.	Course Code	Course Name	Credits	Remarks
1		Business Strategy	3	
2		Concentration I	3	
3		Concentration II	3	
4		Elective I	3	
5		Internship	3	
		Total	15 Credits	

FIN 210: Financial Management of SMEs and Social Enterprises

Credit: 3
Lecture Hours: 48

Course Objectives

The purpose of this course is to provide the students the understanding of the small and medium enterprise and social enterprise financing. The course also aims at providing necessary skill to students to analyze SME projects and make necessary arrangement of financial resources for SMEs and social enterprises.

Course Description

This course provides the fundamentals of small and medium enterprise and social enterprise finance. It begins with introduction of SMEs and social enterprises. It covers SME project idea generation, market and technical analysis, financial estimates and projections of SMEs, project risk analysis, managing current assets, financing SMEs. It also covers financial management of social enterprises.

Course Learning Outcomes

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

- Explain how financial management in SMEs differs from financial management in a corporation;
- Explain the financial managers' responsibilities in SMEs;
- Analyze market, demand and technical aspect of SME project ideas;
- Estimate cash flows of investment decision and evaluate investment decision;
- Analyze project risk;
- Manage current assets of a firm;
- Identify and evaluate sources of SME financing;
- Apply the principles and tools of financial management in social enterprises.

Course Details

Unit 1: Introduction

4LHs

Overview of financial management; Characteristics of SMEs; Comparison of financial management in SMEs and corporation; Financial managers' responsibilities in SMEs; Concept and characteristic of social enterprises; Objectives of social enterprises.

Unit 2: Generation and Screening of SME Project Ideas

4LHs

Generation of ideas; Monitoring the environment; Corporate appraisal; Identifying investment opportunities; Scouting for project ideas; Preliminary screening.

Unit 3: Market, Demand and Technical Analysis

6LHs

Importance of market and demand analysis, collection of secondary data/information, analysis of market survey, demand forecasting, uncertainties in demand forecasting; Importance of technical analysis, Technical arrangement, components of technical analysis.

Unit 4: Financial Estimates, Projections and Investment Decision

8LHs

Cost of project; Estimates of sales and production; Cost of production; Working capital requirement; Elements of cash flow, Basic principles of cash flow estimation; Estimation of cash flows; Cost of capital; Investment decision criteria: payback period, discounted payback period, net present value and internal rate of return.

Unit 5: Risk Analysis of SMEs

5LHs

Sources, measure and perspective on risk; Using break-even analysis for risk assessment;

Sensitivity analysis; Scenario analysis; Managing risk.

Unit 6: Managing Current Assets in SMEs

10LHs

Cash management: Significance of cash management; Increasing the efficiency of cash management; Cash budget. **Receivable management:** Significance of receivable management; Costs of maintaining receivables; Analyzing the changes in the credit policy variables. **Inventory management:** Components of inventory; Significance of inventory management; Inventory costs; Determining optimal level of inventory; Inventory control system: ABC system; JIT system.

Unit 7: Financing of SMEs

6LHs

Financial structure of SMEs; Short-term sources of financing: accruals, trade credit, short-term bank loans; Long-term sources of financing: debt and equity financing; Pros and cons of debt and equity financing from SMEs perspective.

Unit 8: Financial Management in Social Enterprises

5LHs

Finance functions in social enterprises; Investment opportunities and social welfare; Financing social enterprises; New approaches and innovations in financing: loan guarantee, quasi-equity debt, pooling, social impact bond.

Basic Books

- Chandra, P. *Projects: Planning, Analysis, Selection, Financing, Implementation, and Review*. New Delhi: McGraw Hill Education.
- Kaili, E., Psarraikis, D., & Hoinaru, R. V. *New Models of Financing and Financial Reporting for European SMEs- A practitioner's View*. Cham: Palgrave Macmillan.

References

- Van Horne, J.C., Wachowicz, JR., & Bhaduri, S. N. *Fundamentals of Financial Management*. New Delhi: Prentice Hall India Ltd.
- Etichart, N., & Comilli, L. *Social Enterprise in Emerging Market Countries*. New York: Palgrave Macmillan.
- Bugg-Levine, A, Kogut, B., & Kulatilaka, N. *A New Approach to Funding Social Enterprises* (Harvard Business Review, Jan -Feb. 2012).

BNK 208: Fundamentals of Banking

Credit: 3
Lecture Hours: 48

Course Objectives

The objective of the course is to develop an understanding among students the structure of banking system, banking products and services and banking regulations. The emphasis of the course is on equipping students with knowledge on banking products and services, use and effect of technology in banking, major banking regulations and emerging trends in banking services required to work as mid-level manpower in banking institutions within and outside the country.

Course Description

Students will gain an understanding of financial and banking system, legal procedures for the incorporation and regulatory framework for the operation of the banks in Nepal. Topics included in this course are; concept of financial and banking system of the country, central banking system, banking products and services, general legal procedures for establishing and operating a bank, capital structure of a bank, role of technology and emerging trends in banking services.

Course Learning Outcomes

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

- Become aware on financial and banking system of the country including central banking system and commercial banking system;
- Explain the different products and services that banks offer to their clients;
- Understand general legal procedures for the incorporation and operation of banks;
- Define bank capital and its components;
- Recognize trends and contemporary issues in banking services;
- Explain the use and effect of technology in designing and delivering banking products and services.

Course Details

Unit 1: An Overview of Financial and Banking System

5LHs

Meaning and importance of financial system; Major components of financial system; An overview of Nepalese financial system; Development of banking; Roles of banks in economy; Types and functions of banks; An overview of Nepalese banking system.

Unit 2: Central Banking System

6LHs

Roles and functions of central bank; Monetary policy and its implications in banking system; Open market operation: repo, reverse repo, outright sale and purchase; Statutory reserve requirements: cash reserve ratio, statutory liquidity ratio; Concept of credit creation and credit control; Inspection, supervision and regulation of BFIs; Roles of Nepal Rastra Bank.

Unit 3: Banking Products and Services

6LHs

Deposit products: current deposit account, savings deposit account, fixed deposit account, call deposit account, margin account; Payment and collection of cheques; Types of cheques; Reasons for dishonor of a cheque; Clearing system; Bank loans; Types of bank loans, Major lending principles; Lending process: credit marketing, assessment, administration, recovery; Primary and secondary collateral securities; Performing and non-performing loans; Banking services: remittances, utility services, agency services and e-banking services.

Unit 4: Incorporation and Consolidation of Banks and Financial Institutions **7LHs**
Registration of banks and financial institutions (BFIs) as a public limited company; Process and documents required for the registration of BFI; Reasons for the denial of registration; Concept of Merger and Acquisitions (M&As); Motive and importance of merger and acquisitions; Status and challenges of bank mergers and acquisition in Nepal; Bank liquidation and its consequences.

Unit 5: Major Banking Regulations **7LHs**
Importance of bank regulation; Major provisions of Banks and Financial Institutions Act, 2073: preamble of the act, constitution, rights, duties and qualifications of Board of Directors, qualification and responsibilities of CEO; Nepal Rastra Bank Act, 2058: preamble of the act, constitution, duties and rights of Directors, rights and duties of Governor, NRB directives and their implications for BFIs; Purpose and implications of Anti Money Laundering Act; Banking Offence and Punishment Act, 2064: nature of offences and punishment.

Unit 6: Bank Capital **6LHs**
Types and importance of bank capital; Capital Adequacy Framework; BASEL Core Principles (I, II and III); Internal Capital Adequacy Assessment Process (ICAAP).

Unit 7: Technology in Banking **5 LHs**
Impact of technology in banking and service delivery; Technology related banking services in Nepal; Status and challenges of technology in Nepalese banking sector; Nepal Rastra Bank guidelines towards technology in banking sector; Cyber security in banking.

Unit 8: Emerging Trends in Banking Services **6LHs**
Emerging in banking services; Internet Banking; Any Branch Banking System; E-banking: branchless banking, mobile wallet, card business, SWIFT, POS; Financial Literacy; Application Supported by Blocked Amount (ASBA); Customer Reference Number; Centralized-Account Supported by Blocked Amount (C-ASBA) & Dematerialization (D-MAT); Bancassurance, e-Commerce and fee based Business.

Basic Book

Rose, P. S. *Bank Management*. New Delhi: Tata McGraw-Hill Education.

References

Rose, P. S., & Hudgins S. C. *Bank Management and Financial Services*. New Delhi: Tata McGraw-Hill Education.

Hubbard, R.G., & O'Brien, A. *Money, Banking and Financial System*. New Delhi: Pearson Publications.

Srivastava, P.K. *Banking Theory & Practice*. New Delhi: Himalayan Publication House.

Koch, T. W. & MacDonald, S. S. *Bank Management*. New Delhi: Cengage Learning.

Nepal Rastra Bank, *Unified Directives of Nepal Rastra Bank*.

Government of Nepal, *Banks and Financial Institutions Act 2073*.

INS 201: Fundamentals of Insurance

Credit: 3
Lecture Hours: 48

Course Objectives

This course aims to provide students with basic understanding of fundamental concepts of risk and principles of insurance. This course will also enable students to understand about the insurance regulation, intermediary functions, general functions of insurers viz. rate making, marketing, underwriting and claim procedure, reinsurance, and investments. Students will understand about product, trend, nature of Nepalese insurance industry.

Course Description

This course deals with fundamentals of insurance. Accordingly, it begins with functions of insurance in the context of risk management. Then it deals with the fundamental principles of insurance along with essentials of insurance contract. The course also deals with insurance operations in the background of insurance regulations. Further, it covers insurance intermediaries and surveyors, and financial statements of the insurers. Finally, it provides an overview of insurance industry in Nepal and opportunities and challenges faced by the industry.

Course Learning Outcomes

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

- Understand about risk and risk management process;
- Acquire knowledge about the characteristics and functions of insurance and its types;
- Understand the principles of insurance;
- Be familiar with the objectives of insurance regulation;
- Explain the operation of insurance companies;
- Acquire knowledge on claim settlement and investment of insurance fund;
- Explain about the functions and licensing of intermediaries and surveyors;
- Prepare and analyze financial statements of insurance companies;
- Understand the trend of insurance market and comment on contemporary issues.

Course Details

Unit 1: Risk Management

6 LHs

Introduction to risk; Types of risk: individual and enterprises, pure and speculative, fundamental and personal; Introduction and objectives of risk management; Risk management matrix; Risk management process; Cost of risk management.

Unit 2: Introduction to Insurance

6 LHs

Meaning and definition of insurance; Characteristics and functions of insurance; Difference between risk and hazards, insurance and gambling, insurance and hedging; Types of Insurance: life, general, reinsurance, social insurance, and micro insurance.

Unit 3: Principles of Insurance and Insurance Contracts

6 LHs

Principles of Insurance: indemnity, insurable interest, utmost good faith, subrogation, proximate cause, mitigation, contribution; Importance of insurance principles in insurance business; Elements of insurance contract; Distinguishing characteristics of insurance contract.

Unit 4: Insurance Regulation

6 LHs

Objectives of insurance regulation; Importance of insurance regulation; Role of International Association of Insurance Regulators (IAIS) in insurance regulation; Role of *Beema Samiti* (Insurance Board of Nepal) in insurance regulation in Nepal; Purpose of Insurance Act, Regulations and Directives.

Unit 5: Insurance Company Operations**6 LHs**

Insurance company operations: rate making of life and non-life insurance, underwriting, production, claims settlement, reinsurance, investment.

Unit 6: Insurance Intermediaries and Surveyors**5 LHs**

Functions of insurance agents, brokers, and third party administrators, and their licensing in Nepal; Functions of surveyors, their categories and licensing in Nepal.

Unit 7: Financial Statements of Insurers**7 LHs**

Understanding of the financial statements of insurers: statement of financial positions, statement of profit or loss, statement of other comprehensive income, statement of cash flow, statement of changes in equity, annexes of life and non-life insurance companies' financial statements; Guidelines of *Beema Samiti* for the preparation of financial statements of insurance companies; Analysis of financial statements.

Unit 8: Insurance Industry in Nepal**6 LHs**

Development and current status of insurance industry in Nepal; Recent trends in insurance market, and opportunities and challenges; Current status of micro insurance, social insurance, health insurance, agriculture insurance; Emerging issues.

Basic Books

Rejda, G. E. *Principles of Risk Management and Insurance*. New Delhi: Pearson Education.

Vaughan, E. J. & Vaughan, T. M. *Fundamentals of Risk and Insurance*. New York: John Wiley & Sons.

References

Mishra, M. N. & Mishra, S. B. *Insurance Principles and Practices*. Delhi: S. Chand & Company Ltd.

Gupta, P. K. *Insurance and Risk Management*. Mumbai: Himalaya Publishing House

Ghimire, R. *Insurance Theory and Practices*. Kathmandu: Buddha Publication

Government of Nepal, Insurance Act, 1992 and Insurance Regulation, 1993.

Directives, guidelines, policies issued by *Beema Samiti* (Insurance Board of Nepal).

Publications of *Beema Samiti*.

FIN 212: Investment Analysis and Portfolio Management

Credit: 3
Lecture Hours: 48

Course Objectives

This course intends to deepen understanding of investment management principles and practices with the aim to develop students' professional efficacy in investment decision making process. The course will help students to demonstrate knowhow in formulating asset allocation strategies, analyzing and pricing securities, and constructing, revising and evaluating portfolios so as to manage investment in financial assets effectively in changing investment environment.

Course Description

This course provides an insight into theories of investment, technicalities of securities analysis, and approaches to portfolio management. The course will begin with review of investment concept and fundamentals of risk and return, and then students will learn to design investment policy statement, and formulate asset allocation strategies. Next focus will be given to expand students' understanding on principles and process of portfolio management, theories of asset pricing, and procedures of securities valuation. The course will further demystify securities analysis and portfolio performance evaluation techniques giving emphasis in developing practical skills to analyze and manage investment portfolio of financial assets.

Course Learning Outcomes

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

- Assess investment risk, and accordingly determine required rate of return of investment alternatives;
- Describe the role of asset allocation in investment planning, and take part in formulating asset allocation strategies;
- Develop investment policy statement considering investment objectives and constraints of investors;
- Apply principles of portfolio management in portfolio construction and analysis;
- Demonstrate competence in pricing assets;
- Demonstrate competence in managing portfolio of fixed income securities;
- Use fundamental and technical analysis techniques to manage investment in equity portfolio;
- Appraise performance of financial assets investment portfolios applying portfolio performance evaluation techniques.

Course Details

Unit 1: Investment Setting

3 LHs

Concept review: investment, investment return and risk; Determinants of required rates of return; Relationship between risk and return.

Unit 2: Asset Allocation Decision

3 LHs

Individual investor life cycle; Portfolio management process; Investment policy statement: need, input, constructing the policy statement; Importance of asset allocation.

Unit 3: Portfolio Theory and Asset Pricing Models

10 LHs

Portfolio theory assumption; Risk and risk aversion; Markowitz portfolio theory; Capital market theory: background and assumptions, developing the capital market line (CML), risk, diversification, and the market portfolio, investing with the CML; Capital asset pricing model (CAPM): conceptual development of the CAPM, security market line, relaxing the assumptions, empirical tests of the CAPM; Multifactor models; Arbitrage pricing theory.

Unit 4: Fundamental Analysis**10 LHs**

Concept; Valuation principles and practices: overview of the valuation process, top-down, three-step valuation approach, theory of valuation, valuation of alternative investments, relative valuation techniques, estimating the inputs; Market analysis: concept, macromarket analysis, microvaluation analysis; Industry analysis: concept and need; Company analysis and stock valuation: company analysis versus stock valuation, economic, industry, and structural links to company analysis, company analysis, estimating intrinsic value, estimating company earnings per share.

Unit 5: Technical Analysis**5 LHs**

Concept; Underlying assumptions; Advantages; Challenges; Technical trading rules and indicators: contrary-opinion rules, follow the smart money, momentum indicators, stock price and volume techniques.

Unit 6: Equity Portfolio Management Strategies**4 LHs**

Passive versus active management; Passive equity portfolio management strategies; Active equity portfolio management strategies; Value versus growth investing; Asset allocation strategies.

Unit 7: Bond Analysis and Portfolio Management Strategies**9 LHs**

Bond valuation review; Calculating future bond prices; Spot rates and forward rates; Bond valuation using spot rates; Determinants of interest rates; Term structure of interest rates; Term structure theories; Determinants of bond price volatility; Passive bond portfolio management strategies; Active bond portfolio management strategies.

Unit 8: Portfolio Performance Evaluation**4 LHs**

Attributes of portfolio managers' performance; Early performance measurement techniques; Composite portfolio performance measures; Application of portfolio performance measures; Evaluation of bond portfolio performance; Reporting investment performance.

Basic Book:

Reilly, F. K., Brown, K. C. & Leeds, S. J. *Investment analysis and Portfolio Management*. Massachusetts: Cengage Learning.

References:

Bodie, Z., Kane, A. & Marcus, A. J. *Investments*. New York: McGraw-Hill Education.

Jones, C. P. & Jensen, G. R. *Investments: Analysis and Management*. New Jersey: John Wiley & Sons.

FIN 213: Corporate Financing Decision

Credit: 3
Lecture Hours: 48

Course Objectives

The purpose of this course is to impart knowledge and analytical skills of corporate finance on raising funds most effectively by business firms. At the completion of this course the students will have a clear understanding of sources of funds used by a corporation, compare cost of different sources short-term fund, analyze the pros and cons of each source of financing, raise capital from the capital market by issuing securities, describe financial distress and distress management techniques.

Course Description

This course begins with a brief overview of corporate finance. It covers different aspects of long-term and short-term financing. It also covers leasing, private equity and venture capital financing and warrants and convertibles. Finally, it covers financial distress issues.

Learning Outcome

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

- Understand the concept, instruments, markets for corporate financing decision;
- Evaluate various source of long-term financing;
- Obtain long-term debt from financial institution;
- Analyze buy-versus-leasing decision;
- Compare cost of different sources of short-term financing;
- Use private equity and venture capital financing;
- Evaluate warrants and convertibles for raising long-term fund;
- Understand the concept and remedies of financial distress.

Course Details

Unit 1: Introduction

5 LHs

Corporate financing decision: instruments, markets, and financial intermediaries; Ethics in financing decisions; Financial innovations and corporate finance; Capital structure and financial structure; Capital structure issues.

Unit 2: Long-term Financing

5 LHs

Features of Bonds, types of bonds, bond innovations, advantages and disadvantages of bond financing; Key characteristics of preferred stock, merits and demerits of preferred stock financing; Common stock financing, evaluation of common stock as a source of long-term financing; Effect of each financing alternative on balance sheet and income statement.

Unit 3: Financing with Term Loan

6 LHs

Key characteristics of term loan, advantages and disadvantages of term loan financing, lenders of term loan, documents required for term loan; Loan amortization schedules: equal installment, equal principal, bullet payment and balloon payment; Provision of moratorium period; Security provisions and protective covenants.

Unit 4: Lease Financing

6 LHs

Lease as a source of financing; Features of a lease contract; Types of leases; Advantages and disadvantages of lease financing; Accounting and tax treatments of leases; Return to the lessor; Analysis of lease versus buy/ borrow decision.

Unit 5: Short-term Financing**8 LHs**

Short-term versus long-term financing; Advantages and disadvantages of short-term financing; Unsecured sources of short-term financing: accruals, trade credit, bank loan, commercial papers; Secured sources of short-term financing: accounts receivable financing (pledging and factoring), inventory financing (floating lien, chattel mortgage, trust receipt loan and warehouse financing); Cost of sources of short-term financing; Factors to be considered while choosing appropriate source of short-term financing.

Unit 6: Private Equity and Venture Capital Financing**5 LHs**

Private equity fund; Founders and angels; Venture capital; Importance of venture capital financing; Stages of venture capital financing.

Unit 7: Warrants and Convertibles**8 LHs**

Use of warrants; Valuation of warrants; Convertible securities; Valuation of convertible securities; Reasons for issuing warrants and convertibles; Effect of bonds/debentures with warrant and convertible financing on balance sheet and income statement; Exchangeable debt.

Unit 8: Financial Distress**5 LHs**

Financial distress; Bankruptcy liquidation; Bankruptcy reorganization; Going private and leveraged buyouts; Leveraged recapitalizations; Distress restructuring; Bankruptcy, liquidation and reorganization in Nepal.

Basic Books

Rose, S. A., Westerfield, R. W., Jaffe, J. & Kakani, R. K. *Corporate Finance*. New Delhi: McGraw-Hill Education.

Van Horne, J. C. & Dhamija, S. *Financial Management and Policy*. New Delhi: Dorling Kindersley.

References

Brigham, E. F. & Ehrhardt, M. C. *Financial management: Theory and Practice*. New Delhi: Cengage Learning India.

Brealey, R., Myers, S. C., Allen, F. & Mohanty, P. *Principles of Corporate Finance*. New Delhi: McGraw-Hill Book Company.

BNK 209: Bank Operation Management

Credit: 3
Lecture Hours: 48

Course Objectives

The course focuses on the operational dimensions of commercial banks and risks involved therein. The main purpose of the course is to develop the understanding in students required for managing operations of the commercial banks. The emphasis is on process and procedures for managing deposits and loan products, treasury, remittance and foreign exchange operations with due consideration to risk mitigation and role of ethics in bank operations.

Course Description

Students will gain understanding for developing, pricing and managing the operations of bank, developing and pricing of deposits and loans, cash operations, types and methods of remittances, foreign currencies and exchange rate determinations, ability to understand and analyze financial statements of the bank. Topics included in the course are: deposits products and their management, lending policies and procedures, treasury, cash, remittance and foreign exchange operations, bank financial statements, major banking risks and ethical considerations in managing banking operations.

Course Learning Outcomes

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

- Understand organizational structure and operational framework of commercial banks;
- Define the concept and procedures for designing and pricing deposit and loan products and other banking services;
- Describe aspects of cash operations including the duties and responsibilities of cashier;
- Explain concept and practices of remittances and foreign exchange transactions;
- Analyze financial statements of the bank using different ratios;
- Recognize and mitigate risks involved in bank operations with adherence to ethical standards.

Course Details

Unit 1: Introduction to Banking

5 LHs

Overview of Nepalese banking system; Organizational structure of a commercial banks; Regulatory framework for bank operations; Statue of commercial banking industry in Nepal; Key competitors of commercial banks in Nepal.

Unit 2: Management of Deposit Services

5LHs

Nature of bank deposits; Types of deposit; Pricing of deposit; Procedure and documents required for account opening; Know Your Customer (KYC); Customer Due Diligence; Client account maintenance; Account closing; Deposit marketing and customer care services; Banking instruments.

Unit 3: Bank Lending: Policies and Procedure

7 LHs

Concept of bank lending; Lending principles and process: credit appraisal, financial analysis of borrowers, approval, documentation and disbursement; Credit monitoring, supervision and recovery; Performing and non-performing loans (NPL); Management of NPL; Methods of creating charges on securities; Multiple banking and consortium financing arrangements; Operations of non fund based services.

Unit 4: Treasury and Cash Operations

3 LHs

Cash management; Security of vault; Cash insurance; Cash counter; Roles and responsibilities of cashier; Clearing system: Electronic clearing, Nepal Clearing House Ltd. (NCHL); Internal and external fund transfer.

Unit 5: Remittance and Foreign Exchange Operations**7 LHs**

Meaning and types of remittances; Parties involved in remittance; Methods of remittance; Foreign exchange operations: concept of foreign exchange, convertible and non-convertible currencies, exchange rate determination, exchange rate regimes, currency pair, base currency and quoting currency, cross rates, basics of forex arithmetic; Nostro and vostro accounts, Foreign Exchange Dealers' Association in Nepal (FEDAN) and its responsibilities.

Unit 6: Bank Financial Statements and Analysis**7 LHs**

Components of bank financial statement: balance sheet, income statements, cash flow statement, BASEL III exposure; Off balance sheet items and transactions; Key financial indicators and ratios; Base rate and cost of funds.

Unit 7: Major Banking Risks and Mitigations**7 LHs**

Concept and nature of banking risks; Types of risk and their implications: credit risk, operational risk, market risk; Risk weight assessment and capital requirements; Risk identification; Measurement and mitigation of credit; Operational and market risk.

Unit 8: Ethical Considerations in Bank Operations**7 LHs**

Concept of ethics and its importance in bank operations; Code of conduct for bank employees; Financial customer protection; Emerging ethical issues in operations of Nepalese commercial banks; Corporate governance; Corporate social responsibility (CSR).

Basic Book:

Rose, P. S. & Hudgins S. C. *Bank Management and Financial Services*. New Delhi: Tata McGraw-Hill Education.

References:

Gup, B. E. & Kolari, J. W. *Commercial Banking*. New Delhi: Willey India

Basel Committee on Banking Supervision, *Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems*.

Koch, T. W. & McDonald, S. S. *Bank Management*. New Delhi: Cengage Learning.

Nepal Rastra Bank, *Unified Directives of Nepal Rastra Bank*.

INS 202: Principles and Practice of Life Insurance

Credits: 3
Lecture Hours: 48

Course Objectives

The aim of this course is to provide students broad knowledge on the principles and practices of life insurance. It also aims to provide students required skills useful to apply the principles and practices in managing life insurance business.

Course Description

This course deals with life insurance principles and practices. The course begins with an introduction to life insurance and describes insurance contractual provisions. It provides about fundamental aspects of life insurance policies and annuities. The course also deals with the details of underwriting process and claim settlement process of life insurance enabling students to choose right insurance policy and follow due procedures for claim settlement. Finally, the course deals with group life insurance and provides students skill to analyze the cost and tax implications of insuring oneself.

Course Learning Outcomes

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

- Understand economic value of life, and of premature death to different types of families;
- Analyze insurance options and execute insurance contract;
- Select appropriate life insurance policy
- Identify factors affecting underwriting decisions;
- Follow procedures of claim settlement;
- Understand different aspects of group life insurance;
- Shopping for life insurance considering the cost and tax implication of insurance.

Course Details

Unit 1: Introduction to Life Insurance

6 LHs

Concept and objectives of life insurance; Economic value of life; Needs of life insurance; Impact of premature death to different types of families.

Unit 2: Life Insurance Contractual Provision

7 LHs

Components of life insurance contracts; Additional life insurance benefits; Riders in life insurance; Life insurance options: dividend options, non-forfeiture options, and settlement options.

Unit 3: Life Insurance Policies and Annuities

8 LHs

Feature and importance of different types of life insurance policy: term, endowment, whole life; Other plans: unit linked, pension plans; Concept of annuities: individual annuities, individual retirement accounts; Taxation of individual annuities: income tax and capital gain tax.

Unit 4: Underwriting of Life Insurance

7 LHs

Underwriting: concept, guiding principles and process; Agents' role on underwriting; Responsibility of underwriters; Factors affecting underwriting decisions: mortality, morbidity and other factors; Life insurance proposal form.

Unit 5: Claim Settlement of Life Insurance**6 LHs**

Claim settlement: concept and process; Types of claims: death claim, maturity claim, survival benefits, surrender; Legal provision of claim settlement in Nepal: documentation and process; Role of *Beema Samiti* on settlement of claim disputes.

Unit 6: Group Life Insurance**7 LHs**

Introduction to employee benefits plans; Concept of group insurance; Group life insurance; Group disability income insurance; Marketing group insurance; Alternative for group benefits plan funding.

Unit 7: Buying Life Insurance**7 LHs**

Determining the cost of life insurance; Rate of return on saving components; Taxation of life insurance in Nepal; Shopping for life insurance.

Basic Books

Black, K. Jr., & Skipper, H. D. Jr. *Life and Health Insurance*. New Delhi: Pearson Education.
Rejda, E. G. *Principles of Risk Management and Insurance*. New Delhi: Pearson Education.

References

Mishra, M. N., & Mishra, S. B. *Insurance Principles and Practices*. Delhi: S. Chand & Company.
Mishra, K.C. and C. S. Kumar C. S. *Life Insurance: Principles and Practices*. New Delhi: Cengage Learning.
Ghimire, R. *Insurance Theory and Practices*. Kathmandu: Buddha Publication.
Government of Nepal, Insurance Act, 1992 and Insurance Regulation, 1993.
Solvency Margin Directive for Life Insurers.
Corporate Good Governance Directives.
Investment Directives issued by *Beema Samiti* (Insurance Board of Nepal).
Annual Report and occasional publications of Insurance Board of Nepal.

FIN 214: Securities Trading and Market Mechanism

Credit: 3
Lecture Hours: 48

Course Objectives

This course focuses on fundamentals of securities market microstructure. The objective of the course is to provide an extended insight into structure of securities trading, organization and functioning of securities market infrastructures (SMIs), and regulatory frameworks of securities trading industry. The course will help students to deepen understanding of securities trading mechanism, and to develop skills required to participate efficiently in securities trading activities. In addition, the course will support students to be acquainted with basic knowledge required to research in different facets of market microstructure theory and empirics.

Course Description

Value chain in securities trading industry will be the core component of this course. There will be sufficient emphasis on topics such as securities market structure and design, trading platforms and procedures, pre-trade activities and post-trade processing, role and responsibilities of relevant organizations in trade life cycle, and the legal aspects of securities market. Students will also be introduced to the approaches of securities market performance evaluation.

Course Learning Outcomes

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

- Define the role and responsibilities of the institutions in securities trading industry;
- Explain how securities are traded: securities trade life cycle, and architecture and design of the trading processes and protocols;
- Compare and contrast the major attributes of exchange based, over-the-counter and alternative trading systems;
- Develop an understanding of securities pricing procedures;
- Interpret the role of regulatory framework to facilitate trading and prevent market abuse;
- Demonstrate skills required for efficient participation in securities trading activities;
- Relate the standard practices in securities market with Nepalese context;
- Build a basic foundation to research in market microstructure field of study.

Course Details

Unit 1: Introduction to Securities Trading and Markets

4 LHs

Trades, traders, securities and markets; Securities trading; Bargaining; Auctions; Concept of market microstructure; Trading and the broader economy.

Unit 2: Securities Trading Industry

12 LHs

Traders and motives to trade: utilitarian traders, profit-motivated traders, futile traders; Trade life cycle; Investment banks/merchant banks: concept, roles and responsibilities; Exchanges: concept, features, roles and responsibilities; Brokers: functions of brokerage firm, structure of a brokerage firm, broker profitability, principal-agent problem, brokering ethics; Dealers and market makers: concept, roles and responsibilities; Securities market infrastructures (SMIs) and their roles and responsibilities: central securities depositories (CSDs), securities settlement systems (SSSs), central counterparty clearing (CCPs), trade repositories (TR); Custodians: concept, roles and responsibilities; Credit rating agencies: concept, roles and responsibilities; Regulators and their roles and responsibilities: governmental regulatory agencies, self-regulatory organizations, private regulatory agencies, international regulatory organizations; Securities trading industry in

Nepal.

Unit 3: Market Architecture and Design

12 LHs

Initial public offering: process, pricing; Trading on exchanges; Over-the-counter markets; Alternative trading systems; Crossing networks and upstairs markets; Orders and order properties; Market depth and liquidity; Market structure: trading sessions, execution systems, market information systems, clearing and settlement system; Order-driven markets: oral auctions, rule-based order-matching systems, uniform pricing rule and single price auctions, discriminatory pricing rule and continuous two-sided auctions; Quote-driven markets: dealer quotations, trading with dealers, attracting order flow, dealer quotation decisions, dealer inventories, inventory risk, dealer bid/ask spreads; Price indexes and index fund; Price limits, circuit breakers and trading halts: concept and need; Trading mechanism of fixed-income securities, foreign currencies, and derivative securities; Structure of securities market in Nepal.

Unit 4: Asset Management Industry and Institutional Trading

6 LHs

Structure and evolution of asset management industry; Private management and advisory firms; Investment companies; Specialized investment funds; Institutions and market impact; Best execution, execution costs, and price improvement; Algorithmic trading; Dark pools; Stealth and sunshine trading; High-frequency trading; Flash trading and sponsored access; Institutional trading in Nepal.

Unit 5: Market Abuse

5 LHs

Illegal insider trading; Front running and late trading; Bluffing and market manipulation; Payment for order flow; Fat fingers, hot potatoes, and technical glitches; Rogue trading and rogue traders; Trading and Ponzi schemes.

Unit 6: Regulation of Trading and Securities Market

6 LHs

Regulatory approaches and the regulatory balance; Securities market legislation in Nepal; Deregulation, corporate scandals, and the financial crisis; Impact of regulatory activity; Privatization of regulation and exchange rules; Ethics in securities trading industry.

Unit 7: Securities Market Performance Measures

3 LHs

Liquidity; Efficiency; Price synchronicity; Stability; Access.

Basic Books:

Harris, L. *Trading and Exchanges: Market Microstructure for Practitioners*. New York: Oxford University Press.

Teall, J. L. *Financial Trading and Investing*. London: Academic Press.

References:

Baker, H. K. & Kiyamaz, H. (Eds.). *Market Microstructure in Emerging and Developed Markets: Price Discovery, Information Flows, and Transaction Costs*. New Jersey: John Wiley & Sons, Inc.

Harris, L. *Trading and Electronic Markets: What Investment Professionals Need to Know*. Charlottesville, Virginia: CFA Institute Research Foundation.

Jong, F. D & Rindi, B. *The Microstructure of Financial Markets*. Cambridge: Cambridge University Press.

MGT 225: Business Strategy

Credit: 3
Lecture Hours: 48

Course Objective

This course aims to impart knowledge and understanding to students' on strategic management and its practices enhancing the gauge of knowledge of business mission and visions, business environments, strategic formulations and choice, strategy implementation, evaluation and control to gain competitive advantages of business organizations. It is designed to provide knowledge and skills to students' for business environment analysis and craft appropriate strategy in the competitive world.

Course Description

This course is core in nature which embodies the components such as strategic management, external environment analysis, internal environment analysis, strategic options, strategy evaluation and choice, and strategy implementation and control. These areas facilitate students for acquiring adequate knowledge and skills to startup and manage any business entity in the competitive business world.

Course Learning Outcomes

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

- Define business strategy and their types;
- Explain the business strategy formulation process;
- Define and design organizational vision, mission, and objectives of different organizations on the basis of nature and scale;
- Conduct environmental scanning based on competition and use in strategic formulation process;
- Identify the competitive advantages of any organization;
- Formulate, analyze and chose the strategies based on suitability, feasibility and acceptability;
- Identify factors affecting strategy implementation in Nepalese financial institution;

Course Details

Unit 1: Introduction

7 LHs

Concept of strategy; Levels of strategy; Meaning of strategic management; Elements of strategic management; Strategic management process; Concept and features of strategic planning; Strategic decision; Importance of strategic management; Strategic management practices in Nepalese financial institutions.

Unit 2: Vision, Mission, Objectives and Strategy

7 LHs

Meaning of vision; Communicating the strategic vision; Crafting a mission statement; Linking vision and mission with company objectives; Objectives and their levels; Crafting good objectives; Linking objectives and strategies; Comparative analysis of vision, mission, objectives of leading Nepalese financial institutions.

Unit 3: Environmental Analysis for Strategic Management

12 LHs

Concept of business environment; Relationship between business environment and strategic management; Types of business environment; Process of external environment analysis: scanning, monitoring forecasting and assessment; Scenario planning; PEST analysis; The competitive environment of industry - Porter's Five Forces Framework, strategic groups analysis; Meaning and types of internal environment; Internal

environment analysis: value chain; The resource-based view: resources types, competencies, core competencies and distinctive capabilities; Analysis of business environment for Nepalese financial institutions.

Unit 4: Strategy Formulation and Choice

14 LHs

Concept of strategy formulation; Different perspectives on strategy formulation; Corporate level strategies; Portfolio analysis - Boston Consulting Group Matrix and The General Electric, McKinsey Matrix; Business level strategy: generic competitive strategies, a resource-based view to strategy formulation; The industry life-cycle; Strategy evaluation; Choice of strategy: suitability, feasibility and acceptability.

Unit 5: Strategy Implementation

8 LHs

Concept of implementation; Basic requirement for strategy implementation; Organizational structures: the entrepreneurial, functional, divisional, matrix and network; Leadership capabilities in strategic implementation; Strategic change; Factors affecting strategy implementations in Nepalese financial institutions.

Basic Book

Pearce, J.A., Robinson, R. B. & Mittal, A. *Strategic Management: Formulation, Implementation and Control*. New Delhi: McGraw Hill.

References

- Hitt M.A., Ireland, R.D. & Hoskisson, R.E. *Strategic Management*. Stamford: Cengage Learning.
- Jauch, L.R. & Glueck, W.F. *Business Policy and Strategic Management*. Delhi: McGraw-Hill.
- Pearce II,
- Johnson, G. & Scholas, K. *Exploring Corporate Strategy*. New Delhi: Prentice Hall of India.
- Kazmi, A. *Business Policy and Strategic Management*. New Delhi: Tata McGraw Hill.
- Thompson, A., Peteraf, M.A., Gamble, J.E., Strickland, A.J. & Jain A.K. *Crafting and Executing Strategy*. Delhi: McGraw-Hill.
- Wheelen, T.L. & Hunger, J.D. *Strategic Management and Business Policy*. New Delhi: Pearson Education.