

B.Com. (Hons.): Semester-V
DSE

BCM531: Equity Valuation And Debt Valuation

Teaching Scheme	Examination Scheme
Lectures: 4hrs/Week	Class Test – 12Marks
Tutorials: 1 hr/Week	Teachers Assessment – 6Marks
	Attendance – 12 Marks
Credits: 5	End Semester Exam – 70 Marks

Objective

Course is aimed at providing practical knowledge and understanding of the business of Equity & Debt valuation to students. The course emphasizes the practical application of valuation techniques.

Learning Outcomes

- On completing the course, the student shall be able to:
- Understand the concepts of fixed income securities.
- Determine bond yield and understand the concept of yield.
- Determine the value of bond.
- Understand the relationship between interest rates and the value of bond.
- Gain knowledge about the various models of valuation.
- Determine the value of equity shares based on various models.

I: Introduction

Introduction of Fixed Income Securities: Overview of a Fixed-Income Security: Strategic Role of Bonds, Investor's point of View, Bonds Terminology; basic feature of Bonds, types of bonds, zero coupon bonds, Bond indenture, Debentures and types of debentures, Difference between Bonds and Debentures, Callable bonds and puttable bond.

II

Yield Measures; Current yield, Yield-to-Maturity(YTM), Assumptions of YTM, Realized Yield, Properties of Realized Yield, Yield to call, Bond Price analysis; Basic price/yield relationship, Valuation of Zero-Coupon Bond, Calculation of Future bond prices.

III

Bond Pricing with market discount rate, Relationships between the Bond Price and Bond Characteristics, Principles of Bond price movement, Risk associated with Bonds.

IV

Theories of Interest Rates; The pure expectations theory, liquidity preference theory, segmentation theory, Loanable funds theory, concept of deep discount bonds, concept of duration, convexity.

V

Valuation of Equity Shares-Dividend concept, Basic valuation Model, One year holding period, Multiple years holding period; constant dividend, Constant Growth in dividends, variable Growth in dividends, Valuation of Equity Share-Earning concept, CAPM.

Suggested Readings

Robinson, T. R., Henry, E., Stowe, J. D., Pinto, J. E. (2015). Equity Asset Valuation. United Kingdom: Wiley.
Quantitative Analytics in Debt Valuation & Management. Guthner, M., McGraw-Hill Education.
Debt and Equity Valuation of it Companies: A Real Option Approach. Baek, C. SSRN.

Additional Learnings

Equity Valuation Using Multiples: An Empirical Investigation. Germany: Schreier, A., Gabler Verlag / GWV Fachverlage GmbH, Wiesbaden.
Equity Valuation: Science, Art, or Craft?. CFA Institute Research Foundation.

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