

Asian Institute of Technology
School of Management
Professional Masters in Banking and Finance (PMBF)

Financial Management

Course Objective:

This course concentrates on the principles of a bank's assets and liabilities. The course has an applied feel to it as it mainly focuses on the microeconomic problems of financial management of banking firms.

This course examines the role and importance of bank financial management to the modern bank. The course discusses the various trends shaping banking markets, such as institutionalisation, securitisation, globalisation, and concentration.

Learning Outcomes:

It is expected that this course will enable students to (during and at the end of this course):

1. Discuss trends affecting the whole financial services industry
2. Assess the implications of change for bank risk management
3. Assess how interest-rate risk can be managed using hedging activities through the use of financial derivatives and securitization
4. Explain why funding mix and costs are important to bank management when making loan and investment decisions
5. Discuss how credit risk and default premiums are assessed and monitored
6. Assess the relationship between bank performance and capital adequacy

Pre-requisite(s): None

Course Outline:

- I. Banking Innovations and Financial statements
 1. The Transformation of Banking - 1970 to date
 2. Financial Innovation
 3. Implications of Banking Innovations for Bank Financial Management
 4. An Assessment of Credit Risk Transfer
 5. The Bank's Balance Sheet: An Introduction
 6. The Bank's Income Statement

7. Fair Value and Mark-to-Market Accounting: A Hot Topic with Real Potential Effects

II. Liquidity Management

1. Bank Risk Management
2. Concepts of Liquidity and Solvency
3. Sources of Liquidity and measuring Liquidity
4. Payments System Risk and its Potential Impact on Bank Liquidity

III. Funding Operations of Banks

1. Measuring the Cost of Funds
2. Risks Associated with Raising Funds
3. Funding Planning and Co-ordination
4. Credit Risk and Default Premiums
5. Credit Assessment
6. Loan Pricing

IV. Capital Management

1. Components of Bank Capital
2. Risk-based Capital Requirements
3. Basel and Capital Adequacy Rules
4. Impact of Capital Adequacy
5. Capital Planning and Dividend Management

Learning Resources:

Textbook(s):

Ross, S., Westerfield, R., Lim, J. Tan, R., and Jordan, B.:

Fundamentals of Corporate Finance, New York, McGraw-Hill, Asia Global Edition, 2012.

Wild J., Kwok W., Venkatesh S., Shaw K.W., and Chiappetta B.:

Fundamental Accounting Principles: International Financial Reporting Standards (IFRS), McGraw-Hill Education, 2nd Edition, Asia Global Edition

Ross, S., Westerfield, R., Jaffe, J., and Jordan, B.:

Modern Financial Management, New York, McGraw-Hill (9th edition), 2009.

Lecture notes and handouts provided by the instructor.

Reference Books:

Koch, T., and MacDonald, S. S.:

Bank Management, Mason, OH, Thomson South-Western (7th Edition), 2010.

Petty, J., Keown, A.J., Scott, Jr, D.F., Martin, J.D., Burrow, M., Martin, P., and Nguyen, H:

Financial Management, Upper Saddle River, NJ, Pearson Education (4th Edition), 2006.

Gitman, L., Juchau, R., and Flanagan J.:

Principles of Managerial Finance, Upper Saddle River, NJ, Pearson Education (5th Edition), 2008.

Journals and Magazines:

Journal of Financial Management
Applied Journal of Corporate Finance,
Financial Management
Journal of Banking and Finance
International Journal of Banking, Accounting, and Finance

Teaching and Learning Methods: lectures, classroom exercises, presentations, and home assignments.

Time Distribution and Study Load: Specify the number of hours for lectures, tutorials/exercises, laboratory, case study, fieldwork, home study, etc. For every one hour lecture, students are expected to spend at least three hours of self-study.

Lecture:	30 hours
Tutorials/Exercises:	35 hours
Case study:	15 hours
Home study:	100 hours

Evaluation Scheme:

The final grade will be computed from the following constituent parts:

Mid-term exam:	30%
Final exam:	40%
Assignments:	30%

Grading system

Grade	Definition	Grade Points
A	<i>Excellent.</i> Thorough knowledge and mastery of concepts and/or techniques together with a high degree of skill and/or great originality in satisfying the requirements of a piece of work or course.	4.00
B+	<i>Very Good.</i> Thorough knowledge and mastery of concepts and/or techniques together with a fairly high degree of skill in the use of those concepts and techniques in satisfying the requirements of a piece of work or course.	3.50
B	<i>Good.</i> Good level of knowledge or mastery of concepts and/or techniques with a considerable skill in using them in satisfying the requirements of a piece of work or course.	3.00
C+	<i>Near Competent.</i> Level of knowledge or mastery of concepts and/or techniques requires more efforts to satisfy the requirements of a piece of work or course.	2.50
C	<i>Deficient.</i> Level of knowledge or mastery of concepts and/or techniques requires intensive efforts to satisfy the requirements of a piece of work or course.	2.00
D	<i>Highly Deficient.</i> Knowledge or mastery of concepts and /or techniques and understanding of the subject matter unacceptably low.	1.00
F	<i>Failing.</i> Very poor with very limited knowledge or limited mastery and understanding of concepts and/or techniques; comprehension of the subject matter is very limited.	0
I	<i>Incomplete.</i> Course may be completed at a later time without prejudice	-

Instructor(s): Faculty/Visiting Faculty/Adjunct Faculty of School of Management