

DBS SCHOOL OF BUSINESS

LJMU DEGREE PROGRAMMES

MODULE PROFORMA

Module Title: Treasury & Risk Management

Level: 3

Assessment: Continuous Assessment: 30%

Examination: 70%

Prerequisites: Finance 1, Financial Institutions & Regulatory Environment.

Credits: 12

Objectives:

- To provide students with theoretical knowledge and practical skills in managing risk.
- To familiarise students with risk management models and techniques.
- To familiarise students with current and potential future developments in treasury regulation on both national and international levels.
- To identify and examine a range of treasury management strategies.

Learning Outcomes:

On completion of this module, students will be able to:

- Demonstrate detailed knowledge of the techniques to manage interest rate, weather and foreign exchange exposures and their application to practical situations
- Demonstrate detailed understanding of the role and operation of cash management within Treasury management.
- Evaluate and comment critically on current trends within the treasury function and on developments within a broader context of economic and financial affairs.
- Display strong understanding of risk measurement techniques and their applications in the context of risk management.
- Demonstrate the skills required to assess and value currency and interest rate swaps.

Syllabus:

Understanding the Concept of Risk

- The role of risk management. The relationship between risk and return and diversifiable and non-diversifiable risk. The treasury department as a profit/cost centre, considering treasury products and the management of risk. Risk measurement techniques (including VaR).

Yield Curve Dynamics

- Liquidity Preference Theory, Market segmentation and the practical operation of the bond markets.

Defining Exposures

- Interest rate and foreign exchange exposures incorporating cash management techniques, Analysing and managing currency volatility and evaluating credit risk exposure. Operational risk and how firms may adopt an integrated risk management approach.

Techniques for Managing Interest Rate Exposure

- The relative merits and demerits of the interest rate parity relationship, The design evaluation and assessment of interest rate swaps, swaptions, caps, floors, collars, forward rate agreements fraptions and futures contracts.

Techniques for Managing Weather Rate Exposure

- The impact of weather as a new quantifiable risk. Products that can be used to reduce a firm's exposure to risk

Techniques for Managing Foreign Exchange Exposure

- The role and application of foreign exchange risk management. Forward exchange quotes, The design and use of forward contracts, currency options, currency swaps, and valuation of currency swaps. Option pricing theory.

Techniques for Managing the Cash Cycle

- Models used to illustrate cash management techniques including the Miller-Orr Model and the Baumol model. The use of probabilistic models, call deposit accounts, note issuance facilities and certificates of deposit.

Efficiency of Strategy and Compliance Requirements

- Treasury Management strategies and the regulatory environment, money laundering, SFA requirements, E-commerce and relevant accounting standards (GAAP).