DOSSIER

On

FDP on Asset Pricing: Theories and their testing

On

February 9, 2019

Mr. Miklesh Prasad Yadav

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Prof.(Dr.)Raman Garg

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FORM A

Proposal :

- **Name Of the event to be organized :** FDP on Asset Pricing: Theories and their testing

- **Date** : February 9, 2019

- **Time :** 9:45AM - 4:00PM

- **Venue :**

- **Organized By:**

- **Motivation for the activity :** • The purpose of the FDP was to make the participants aware about Asset Pricing. Dr. C. P. Gupta was the guest speaker who started lecture with introduction of simple return and log return. The FDP was unique in terms understanding about Markowitz, CAPM and Arbitrage Pricing Theory. Knowledge and understanding of these concepts will enable us to move in the right direction of our research work in terms of Assets Pricing. Thus, the primary objective of this programme was to enrich the research capabilities of participants by making them equipped with the concepts related to theories of assets pricing.

Form B

Part 1

Aim of the event :

In the finance domain, asset pricing theory is one of the most important topics which must be understood by academician. Researchers, academicians and industrialists often get confused in applying tools to test market model, CAPM and other tools. Hence, it is more important to enrich the intellectual capital by focusing on new knowledge integrated with Markowitz, CAPM and Arbitrage Pricing Theory model of asset pricing. Knowledge of applied research tools and methodology along with the use of software helps in integrating research and practice. With the aim to enrich the research skills of faculty members and research scholars, RDIAS conducted a One Day FDP on "Asset pricing: Theories and their testing" on February 9, 2019.

Part 2

Abstract :

The FDP started with a brief welcome to all the participants by Ms. Supriya Sardana, Asst. Professor, RDIAS. The speaker of the day was Dr. C. P. Gupta, Professor- DFS, University of Delhi. A warm welcome was given by presenting a bouquet to the guest by Mr. Miklesh Yadav, FDP Coordinator. Dr. C. P. Gupta enlightened the session with sharing the knowledge. The resource person set the momentum of the programme with a detailed session on Asset Pricing: Theories and their testing. He started the session with a simple and log return. First and foremost, he spoke about requirement for the asset pricing theory. He emphasized that the efficient portfolio and optimum portfolio may differ. Efficient portfolio is one which has lowest risk at given level of return and highest return at given level of risk. In financial economics, asset pricing refers to a formal treatment and development of two main pricing principles. There have been many models developed for different situations, but correspondingly, these stem from general equilibrium asset pricing or rational asset pricing. Investment theory, which is near synonymous, encompasses the body of knowledge used to support the decision-making process of choosing investments and the asset pricing models are then applied in determining the required rate of return on the investment in question, or in pricing derivatives on these. The model takes into account the asset's sensitivity to non-diversifiable risk (also known as systematic risk or market risk), often represented by the quantity beta (β) in the financial industry, as well as the expected return of the market and the expected return of a theoretical risk-free asset. CAPM assumes a particular form of utility functions (in which only first and second moments matter, that is risk is measured by variance, for example a quadratic utility) or alternatively asset returns whose probability distributions are completely described by the first two moments (for example, the normal distribution) and zero transaction costs (necessary for diversification to get rid of all idiosyncratic risk). Under these conditions, CAPM shows that the cost of equity capital is determined only by beta. He also discussed about total risk, systematic risk and unsystematic risk with suitable examples.

Part 3

Conclusion

This one Day FDP enriched all the external as well as internal participants with rigorous learning on various models of asset pricing theories. The FDP was very well appreciated by all the participants and equipped all the participants with new tools and techniques to apply in their respective research areas. Apart this, he also discussed about mean variance model. Overall, the FDP proved to be highly fruitful, enjoyable and great learning experience to the entire participants

SnapShot

Dr. C.P. Gupta, Professor-DFS, University of Delhi delivering the lecture

Participants are paying attention on lecture

FDP Convener Mr. Miklesh Yadav presenting a token of appreciation to guest speaker

Participants together at the end of session