



APPLIES TO ACADEMIC YEAR 2008/2009

GRA 6543 Introduction to Financial Economics

Program

Master of Science in Business and Economics, Master of Science in Business and Economics (Finance), Master of Science in Financial Economics, Specialization Course

Responsible for the course

Richard Priestley

Department

Term

According to study plan

ECTS Credits

6

Language of instruction

English

Learning outcome

The course provides an introduction to financial economics at the MSc level. The course will begin by introducing asset pricing theory. The classical results in portfolio selection and asset pricing theory with the mean-variance paradigm are presented. These results will be challenged and thus further theoretical developments based in the Arbitrage Pricing Theory and Consumption CAPM will be considered. Issues in market efficiency will be discussed. Subsequently, the course will focus on several developments in corporate finance. This course will provide students with an understanding of the underlying theories used in preceding courses and some of the empirical approaches to testing these theories.

Prerequisites

An undergraduate corporate finance course

Compulsory literature

Books:

Copeland, Thomas E., J. Fred Weston and Kuldeep Shastri. 2005. Financial theory and corporate policy. 4th ed. Boston, Mass.: Pearson Addison-Wesley

Recommended literature

Course outline

1. Arbitrage and Optimality
 - a) Consumption and investment decisions
 - b) Utility theory given uncertainty
 - c) State preference theory
2. Asset Pricing
 - a) Portfolio theory
 - b) The Capital Asset Pricing Model
 - c) The Arbitrage Pricing Theory
 - d) The Consumption CAPM
3. Market Efficiency
 - a) Constant Expected Returns
 - b) Time-Varying Expected Returns
 - c) Behavioural Finance
4. Corporate Finance
 - a) Capital Structure and the Cost of Capital
 - b) Dividend Policy

Computer-based tools

Blackboard/homepage

Course structure

The instruction over 36 lecture hours consists primarily of presentations and discussions of the readings assigned to the topics listed above. Students are expected to have read the material before each class meeting.

Specific Information regarding any aspect of student evaluation will be provided in class. It is the student's responsibility to obtain this information. Please note that whiet attendance is not compulsory in all courses, it is the students responsibility to obtain any information provided in class that is not included on the course homepage/Blackboard or text book. Homepages and/or Blackboard are not designed for the purpose of students who choose not to attend class.

Evaluation

Your course grade will be based on the following activities and weights:

30% class work (in the form of a mix of some of/ all of the following: hand in of case write ups, projects, and homeworks; case presentations and class participation; in class midterm and quizzes).

70% 3 hour written final exam.

Both parts of the evaluation need to be passed in order to get a grade in the course.

Evaluation code(s)

GRA65431 accounts for 100 % of the final grade in the course GRA 6543.

Aids at the examination

A bilingual dictionary and BI-approved exam calculator. Exam aids at written examinations are explained under exam information in our web-based Student handbook. Please note use of calculator and dictionary. <http://www.bi.edu/studenthandbook/examaids>

Makeup exam

Re-takes are only possible at the next time a course will be held. When the course evaluation has a separate exam code for each part of the evaluation it is possible to retake parts of the evaluation. Otherwise, the whole course must be re-evaluated when a student wants to retake an exam. Retake examinations entail an extra examination fee.

Honor Code

Academic honesty and trust are important to all of us as individuals, and represent values that are encouraged and promoted by the honor code system. This is a most significant university tradition. Students are responsible for familiarizing themselves with the ideals of the honor code system, to which the faculty are also deeply committed.

Any violation of the honor code will be dealt with in accordance with BI's procedures for cheating. These issues are a serious matter to everyone associated with the programs at BI and are at the heart of the honor code and academy integrity. If you have any questions about your responsibilities under the honor code, please ask.