



APPLIES TO ACADEMIC YEAR 2010/2011

GRA 6543 Introduction to Financial Economics

Programme

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

Department

Term

According to study plan

ECTS Credits

6

Language of instruction

English

Introduction

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 derivative pricing and the term structure of interest rates. 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

Bachelor degree qualifying for admission to the MSc Programme + an undergraduate corporate finance course

Compulsory reading

Books:

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

Other:

During the course there may be hand-outs and other material on additional topics relevant for the course and the examination.

Recommended reading

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. Derivative Pricing
5. Term Structure of Interest Rates

Computer-based tools

It's learning/homepage

Learning process and workload

A course of 6 ECTS credits corresponds to a workload of 160-180 hours. The instruction consists primarily of lectures.

Please note that while attendance is not compulsory in all courses, it is the student's own responsibility to obtain any information provided in class that is not included on the course homepage/It's learning or text book.

Examination

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

30% one hour mid-term exam and 70% two hour final exam .

Specific information regarding student evaluation beyond the information given in the course description will be provided in class. This information may be relevant for requirements for term papers or other hand-ins, and/or where class participation can be one for several elements of the overall evaluation.

Examination code(s)

GRA 65432 counts for the one hour written mid-term exam (30%)

GRA 65433 counts for the final two hour written exam (70%)

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

Examination support materials

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>

Re-sit examination

It is only possible to retake an examination when the course is next taught.

The assessment in some courses is based on more than one exam code.

Where this is the case, you may retake only the assessed components of one of these exam codes.

Where this is not the case, all of the assessed components of the course must be retaken.

All retaken examinations will incur an additional fee.

Additional information**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 academic integrity. If you have any questions about your responsibilities under the honor code, please ask.