

Code: 42728

ECTS: 10

Degree	Year	Semester
Master in Economics and Business	1	2

Contact

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Language

English

Instructors

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Objectives

Foundations of finance: Assets, market behavior, market phenomena, and decisions about saving, consumption and investment. Value creation in financial markets: Required rate of return and asset pricing of shares, bonds and derivatives.

Skills

T1: Understanding academic research in the above areas.

T2: Contextualizing problems using formal models that allow a quantitative analysis.

T3: Arguing and writing in a precise, clear and concise manner reports on the proposed problems, in English.

T4: Using various statistical software to process data.

T5: Conduct empirical studies.

T6: Make oral presentations in English.

T7: Respect the ethical, social and environmental values.

Learning outcomes

E5.1: Understanding the coordinates of time and risk under which financial markets operate.

E5.2: Master the basic principles of valuation of financial assets and derivatives.

E5.3: Demonstrate a proper understanding of the mechanisms and characteristics of equilibrium in financial markets.

Contents

1. Decisions under Uncertainty
2. General Equilibrium under Uncertainty with Complete Markets
3. Portfolio Choice and Saving. Comparative Statics under Uncertainty
4. Incomplete Markets
5. Term Structure of Interest Rates. Bond Management
6. Information, Market Efficiency and Market Regulation
7. Mean-Variance Models: CAPM and APT
8. Share Valuation Models
9. Derivatives: Pricing and Strategies

Teaching Methodology

The activities that will allow the students to learn the basic concepts included in this course are:

1. Theory lectures where the instructor will explain the main concepts.

The goal of this activity is to introduce the basic notions and guide the student learning

2. Problem Sets

In some subjects, a problem set which students will have to solve individually or in teams will be included in every unit. The goal of this activity is twofold. On one hand students will work with the theoretical concepts explained in the classroom, and on the other hand through this practice they will develop the necessary skills for problem solving.

3. Practice lectures

The aim of this activity is to comment on and solve any possible doubt that students may have had solving the problem assignment. This way they will be able to understand and correct any errors they may have had during this process.

4. Tutoring hours

Students will have some tutor hours in which the subject instructors will help them solve any doubts they may have.

Learning activities

Title (type activity)	Hours	Learning outcome
Type: Directed		
Lectures with ITC support	37.5	T7, E5.1 through E5.3
Resolution of exercises	37.5	T2, T7, E5.1 through E5.3
Type: Supervised		
Tutoring and monitoring work in progress. In-class presentations	62.5	T3, T4, T5, T6, T7, E5.1 through E5.3
Type: Self learning		
Study, Reading, Exercise solving, Essays writing,	112.5	T1, E5.1 through E5.3

Assessment criteria

1. The module consists of a number of different subjects or parts taught by different professors. The **final mark** for the module will consist of the average of the marks of each subject within the module.
 1. The module is considered successfully passed if:
 1. the mark for each subject within the module is higher than or equal to 3.0 (in a 0 to 10 scale), and
 2. the **final mark** for that module is higher than or equal to 5.0 (in a 0 to 10 scale).
 2. If the module is not successfully passed the MEBA coordinators will ask the student to re-take the exams for those subjects that, according to the coordinators and the professors opinions, may help the student to successfully pass the module. If the student passes the re-take exam he or she will obtain a mark of 5 for that subject, otherwise the previous grade will remain valid. The calendar for the re-retake exams will be announced along with the grades report
2. The mark -between 0 and 10- for each subject will be computed by each professor based on his or her own criteria and on the student's performance. As a general rule, 35% of the mark will correspond to the assessment of the continuous work of the student during the course, and 65% will consist of a comprehensive final examination. The duration and nature of the final examination is decided by each professor.
3. Final exams are compulsory. Re-take exams are only thought for those students having previously written a first exam and failed.

Assessment activities

Title	Weight
Final exam	65%
Exercises and essays	35%

Bibliography

- Brealey, R.A., S.C. Myers and F. Allen, Principles of Corporate Finance. 11th ed. McGraw-Hill. 2013.
- Copeland, T.E., J.F. Weston and K. Shastri. Financial Theory and Corporate Policy. 4th ed. Addison-Wesley. 2004.
- Gollier, C. The Economics of Risk and Time. MIT Press, 2001.
- de la Grandville, O. Bond Pricing and Portfolio Analysis. Protecting Investors in the Long Run. MIT Press. 2003.
- Hens T. and M.O. Rieger. Financial Economics. A Concise Introduction to Classical and Behavioral Finance. Springer. 2010.
- Hull, J. Options, Futures and Other Derivatives, 8th edition. Prentice Hall, 2012.
- Semmler, W. Asset Prices, Booms and Recessions. 3rd ed. Springer. 2011.