Financial Economics

Academic Year: (2019 / 2020)	**Review date: 06-05-2020**

Department assigned to the subject: Business Administration Department

Coordinating teacher: CAMINO BLASCO, DAVID

Type: Compulsory ECTS Credits : 6.0

Year : 2 Semester : 2

REQUIREMENTS (SUBJECTS THAT ARE ASSUMED TO BE KNOWN)

Mathematics for Economics I
Mathematics for Economics II

OBJECTIVES

At the end of the course students should be able to:

- Compute present and future values of cash-flow streams to compute the net present values of different real and financial investments.
- Have a basic knowledge of the functioning of financial markets and of the way in which investment decisions are made.
- Understand the risk-return tradeoff. Understand how diversification affects risk.
- Have a clear understanding of the difference between systematic and diversifiable risk and know how to measure each.
- Understand how interest rates are set and the principles of valuation of fixed income securities.
- Know the basic types of derivatives and understand why and how they are used in risk management.

DESCRIPTION OF CONTENTS: PROGRAMME

Financial Economics

-1. Introduction to Financial Markets
-2. Financial Mathematics
-3. Investment Appraisal
-4. Risk and Return
-5. Portfolio Theory
-6. The Capital Asset Pricing Model (CAPM)
-7 Equity
-8. Fixed Income Securities
-9. Derivatives Products

LEARNING ACTIVITIES AND METHODOLOGY

Teaching methodology will be as follows:

(1) Each topic or sub topic is presented by the professor in a theory session. After the theory session the students have to study the materials, do complementary readings and work on the relevant problem sets. These problem sets and questions from the students are solved in the next practice session. The problem sets have to be solved at home prior to the practice session.

(2) The course material for each topic (slides that will be used in theory sessions and problem sets to be solved in practice sessions) is provided in advance through the intranet in Aula Global 2.

(3) At the beginning of the course there will be two practice sessions that will introduce the students to the use of excel in finance. These sessions will take place in the computer labs and the teacher will guide the students through several computer exercises.

(4) Each teacher has scheduled weekly office hours that the students can use to obtain extra help.

ASSESSMENT SYSTEM

Grades will be awarded on the basis of the following pieces of work:

- Problem sets and class participation (10%)
- Homework (20%)
-.Midterm exam (30%)
- Final exam (40%)

% end-of-term-examination: 40

% of continuous assessment (assigments, laboratory, practicals…):   60

BASIC BIBLIOGRAPHY

 - Bodie Zvi, Kane Alex, Marcus Alan Essentials of Investments, 10th edition. , McGraw-Hill, 2017

 - Brealey, Richard; Myers Stewart y Allen Principles of Corporate Finance, 11th ed., McGraw-Hill , 2014

ADDITIONAL BIBLIOGRAPHY

 - Stephen A. Ross; Randolph W. Westerfeld; Bradford D. Jordan Fundamentals of Corporate Finance, McGraw-Hill, 2017