Financial Economics and Capital Markets

Module Code: ECO00004I Credits: 20 Year: 2 Terms: 1-3
Contact Hours: 16 hours Lectures, 4 hours Seminars, 1 hour review (21 contact hours)
Module Organiser: Dr Laura Coroneo

Aims:
- To develop an understanding of the rapidly evolving and exciting theory of finance.
- To evaluate how close the firm’s investment, financing and dividend decisions come to an objective of maximising shareholder wealth.
- To familiarise with financial decision making.
- To raise awareness of the environment in which financial decisions are made.
- To provide training in the key issues of capital markets.
- To understand the importance of risk management in financial markets.

Objectives:
On completing the module students should be familiar with:

- The time value of money, the notion of compound interest, the definition of the internal rate of return, the valuation of financial instruments and the perpetual growth model.
- The four criteria that companies use to make investment decisions - the net present value rule, the payback rule, the profitability index rule and the internal rate of return rule.
- The distinct features of main financial instruments including debt, equity and financial derivatives.
- The general principles of pricing and use of financial instruments.
- The concepts of market efficiency, portfolio risk and diversification.
- The characteristic line and the definitions of the equity risk premium.

Assessment:
There will be a 3-hour unseen examination in the Summer Term.

Main References: