



# AI2116 Contract Theory 7.5 credits

## Contract Theory

This is a translation of the Swedish, legally binding, course syllabus.

If the course is discontinued, students may request to be examined during the following two academic years

## Establishment

Course syllabus for AI2116 valid from Autumn 2007

## Grading scale

A, B, C, D, E, FX, F

## Education cycle

Second cycle

## Main field of study

## Specific prerequisites

Financial Economics (AI2115)

## Language of instruction

The language of instruction is specified in the course offering information in the course catalogue.

## Intended learning outcomes

The overall aim of this course is to give you a better understanding of the economics of contracts and how to apply this knowledge in a practical situation.

After you have finished the course you should be able to:

- Describe the notion and consequences of asymmetric information
- Identify situations characterized by hidden action and situations characterized by hidden characteristics, making in-depth descriptions of the problems that may arise and suggest solutions to these problems. You should be able to do this for situations occurring in real life and base your reasoning on sound theoretical grounds.

Describe and identify situations where complete contracts are not feasible, explain why and suggest solutions based on theory.

## Course contents

The economics of contracts and game theory as well as applications of theory

## Course literature

George Hendrikse: Economics and Management of Organizations – Co-ordination, Motivation and Strategy (Ch. 1-10)

## Examination

- INL1 - Exercises, 3.0 credits, grading scale: P, F
- TEN1 - Examination, 4.5 credits, grading scale: A, B, C, D, E, FX, F

Based on recommendation from KTH's coordinator for disabilities, the examiner will decide how to adapt an examination for students with documented disability.

The examiner may apply another examination format when re-examining individual students.

## Other requirements for final grade

Written examination (4,5 cr) and active participation in exercises (term paper; 3 cr).

## Ethical approach

- All members of a group are responsible for the group's work.
- In any assessment, every student shall honestly disclose any help received and sources used.

- In an oral assessment, every student shall be able to present and answer questions about the entire assignment and solution.