



AI215V Financial Economics 7.5 credits

Financial Economics

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 AI215V valid from Autumn 2008

Grading scale

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

Education cycle

Second cycle

Main field of study

Specific prerequisites

Completed upper secondary education incl documented proficiency in English and university studies of 165 credits out of which 45 credits Economics and 15 credits law.

Language of instruction

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

Intended learning outcomes

Upon completion of the course, students should understand what is meant by modern portfolio theory, equilibrium asset pricing models like CAPM and APT, and how to use these tools in practice.

Furtermore students should be able to understand theories of market efficiency and financing decisions; theories of payout policy and capital structure decisions, and how these theories can be used in the valuation of assets and firms.

Students will also be able to solve basic financial and real option valuation problems. Students will be able to understand and apply basic bond and stock valuation models.

Finally, students will be able to describe financial markets and institutions.

This course will give prepare students for further studies in both mainstream and real estate finance.

Course contents

Basic stock and bond valuation models. Risk and return; Modern portfolio theory; Asset allocation; Equilibrium asset pricing models; Market efficiency; Dividend policy; Capital structure; financial and real options; financial markets and institutions

Course literature

Brealey, Myers & Allen: Corporate Finance, 8th international edition, McGrawHillGeltner, Miller, Clayton & Eichholtz, Commercial Real Estate Analysis and Investments, 2nd Edition, McGraw Hill.

Equipment

None

Examination

- TEN1 - Examination, 4.5 credits, grading scale: A, B, C, D, E, FX, F
- ÖVN1 - Assignment, 3.0 credits, grading scale: P, 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.

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.