COURSE SYLLABUS

Advanced Security Markets and Financial Contracts, 7.5 credits

Advanced Security Markets and Financial Contracts, 7,5 högskolepoäng

Course Code:	JASR24	Education Cycle:	Second-cycle level
Confirmed by:	Council for Undergraduate and Masters Education Jan 13, 2014	Disciplinary domain:	Social sciences (75%) and natural sciences (25%)
Valid From:	Jul 1, 2014	Subject group:	NA1
Version:	1	Specialised in:	A1N
		Main field of study:	Business Administration, Economics

Intended Learning Outcomes (ILO)

On completion of the course the students will be able to:

Knowledge and understanding

- Understand the institutional features of security markets.
- Understand the problems faced by firms in connection with the choice of their financial structure.
- Appreciate the interactions of the strategic choices that firms can make at different points in time.

Skills and abilities

- Optimise the firms' investment policy.
- Optimise the firms' financial structure.
- Price general assets and financial securities.
- Evaluate investment opportunities that entail related strategic decisions, made at different points in time, and price assets whose value is related to the value of such investment opportunities.

Judgement and approach

- Identify the financial economics issues involved by the general problem of corporate governance.
- Evaluate the interactions between investment decisions made at different points in time.

Contents

The course focuses on the economic analysis of the different types of securities and contracts used in financial transactions, and the markets in which they are traded. After a brief review of investment decisions and the valuation of business units, the theory of choice under risk and its application to models of asset pricing are covered. Arbitrage pricing is also considered, both as a general asset pricing strategy, and in connection with specific models, such as those conventionally used in option pricing. The main types of securities considered are bonds and debt securities in general, and shares of the stock of companies. In either case, we consider both the general structure of the securities of the respective type, and the implications of the structure for the determination of the firms' optimal financial structure. A specific part of the course covers models of dynamic optimisation. These models allow tackling business problems which entail related optimising decisions made at distinct points in time, such as the optimal timing of the launching of new products, optimal R&D strategies, inventory management and

the renewal of machinery.

Type of instruction

Lectures and workshops.

The teaching is conducted in English.

Prerequisites

Bachelor's degree in Business Administration or Economics (or the equivalent).

Examination and grades

The course is graded A, B, C, D, E, FX or F.

All ILOs are tested in a written examination, counting for 6 credits. The ILOs related to skills and abilities and approach are also tested in a number of written assignments, counting for 1.5 credits in total.

Registration of examination:

Name of the Test	Value	Grading
Written test	6 credits	A/B/C/D/E/FX/F
Written assignment	1.5 credits	A/B/C/D/E/FX/F

Course evaluation

At the outset of the course the course manager ensures that course evaluators are elected (or exist) among the students. The course evaluation is carried out continuously as well as at the end of the course. On the completion of the course the course evaluators and course manager discuss the course evaluation and possible improvements. The result is reported to, among others, the Associate Dean for Education, the Council for Undergraduate and Master Education, and the Board of Directors of JIBS. The course manager shall at the outset of the following course report results and measures taken in the previous course evaluation.

Course literature

Literature

- Thomas E. Copeland, J. Fred Weston, and Kuldeep Shastri, Financial Theory and Corporate Policy, 4th edition. Pearson-Addison Wesley, 2004.