

## 23ECC004 Financial Economics and Asset Pricing

This module is principally taught by School Of Business And Economics

Version Number	23	Version Start Date	02/10/2023
Instance Number	01	Instance Start Date	02/10/2023
Modular Weight	20		
Exam Weighting	100%		
Credit Level	6		
Student Effort (hours)	200		
Prereq Modules	ECB001 or ECB501 + ECB002 or ECB502 + ECB004		
Other Prerequisites			
Co Requisites			
Excluded Combinations			
Distance Learning	None		
Module Leader	Dr A Moghaddasi Kelishomi		
Delivery Period	Semester One		
Delivery Start-End Date	02/10/2023 - 02/02/2024		
Availability	Module is available to students meeting pre-requisites but only if listed in their Programme Specifications.		

### AIMS

The aims of this module are to:

Introduce students to fundamental concepts in modern portfolio theory; develop and analyse the formal economic theory of capital markets and the pricing of capital assets; explain the concept of arbitrage and its relevance to the analysis of asset prices and portfolio management

### INTENDED LEARNING OUTCOMES

Knowledge and Understanding

- o Students should be able to explain the concepts of return, risk, portfolio diversification, hedging, speculation and arbitrage; to explain the assumptions, uses, limitations and tests of equilibrium asset pricing models; explain the meaning of capital market efficiency and the issues involved in measuring efficiency.

Subject-Specific - Cognitive Skills

- o Students should be able to explain and apply the methods and concepts of financial economics in the selection, pricing, hedging, and evaluation of portfolios of financial securities and to explain common empirical tests of asset pricing theories; use appropriate algebraic or diagrammatic tools to analyse individual and firm behaviour under uncertainty; devise simple stylized portfolio management and appraisal strategies.

Key Transferable Skills

- o Students should have acquired skills in analytic reasoning and numeracy.

### CONTENTS

The microeconomics of portfolio choice under conditions of uncertainty, expected utility, and measurement of attitudes towards risk; capital market efficiency; discounted cash-flow models of asset pricing; bonds and the interest rate risk of bond portfolios; diversification and mean variance analysis; single-factor and multi-factor models; structural models of equilibrium asset pricing, including the Capital Asset Pricing Model and Arbitrage Pricing Theory; tests of asset pricing models and the evaluation of portfolio performance; introduction to options markets.

### TEACHING AND LEARNING

Activity Type	Hours	Comments
Guided independent study	168	
Lecture	24	
Practical classes and workshops	8	
<b>Total:</b>	<b>200</b>	

Private study should comprise guided reading and preparation associated with lectures; student self directed learning in the subject area of the module; preparation for assessed coursework including the study of indicative class tests with answers made available on Learn; examination preparation and revision including the study of problem sets (some with model or indicative answers) made available on Learn.

## ASSESSMENT

Assessment Title	Weight (%)	Assessment Type	Asmt Sem	Exam Length *	Available in SAP
Examination	100	In-person examination	1	3 hrs	Yes, can be reassessed in SAP

**Total:** 100

The 3-hour exam will take place during the normal examination period for semester 1 (100%).

\*Where the module contains an exam, the **Exam Length** represents the amount of time to be spent **actively working** on the exam:

- For an **“In-person examination (exam venue)”** or a **“Learn quiz”**, this is the amount of time available to complete the exam.
- For an **“Online short-window examination”**, you will have an additional 30 minutes to download the exam paper and upload your answers. These 30 minutes are on top of the Exam Length.
- For an **“Online long-window examination”**, you will have a 23-hour window in which to complete your exam (including downloading the paper and uploading your answers), but you are expected to spend the amount of time shown in the Exam Length column actively working on your exam.

## METHOD OF FEEDBACK

### Feedback given to students in response to assessed work

Generic written feedback on exam

### Developmental feedback generated through teaching activities

Results of in-class questions and quizzes;  
 Marking criteria and indicative answers of mock test and mock exam discussed in lectures  
 Worked exercises in lectures