

## 040638 EK KFK CF/FD/FI/FM: Principles of Finance

<b>Lecturer:</b>	Andrea Gaunersdorfer
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<b>Office hours:</b>	Tue, 15:00-16:00, Room 6.325 (6th floor)
<b>Type:</b>	EK
<b>Hours per week:</b>	4
<b>Time and Place:</b>	Mon, 13:15-16.45, HS 6 (on 24.11.: 13:10-16.35, HS 8) Wed, 09:45-11:15, HS 9 (on 1.10.: HS 6)
<b>Registration:</b>	UNIVIS online
<b>First meeting:</b>	Wed, 01.10.2014
<b>Mid term exam:</b>	Mon, 10.11.2014, 13:15-15:15, HS 6
<b>Final exam:</b>	Mon, 15.12.2014, 13:15-15:15, HS 6

### Prerequisites

Besides intermediate knowledge in finance (at the level of the Bachelor courses such as Introduction to Finance and Intermediate Finance (EK+VK ABWL Finanzwirtschaft)), a good knowledge in microeconomics is required. In particular, students need to possess a basic knowledge of financial markets and market equilibrium as well as basic knowledge in decision theory, methods of optimization under constraints (in particular method of Lagrange) and linear algebra.

Given that financial assets are characterized as random variables, basic prior knowledge in statistics and probability theory is indispensable. Knowledge of econometrics may be useful for applying and testing financial theories on real world data.

### Topics

1. Introduction
  - Key ideas in financial economics
  - financial decisions and the theory of choice (intertemporal transfer of funds, hedging risk and demand for insurance)
2. Decisions under uncertainty
3. Mean-variance approach: portfolio choice, CAPM
4. Consumption based asset pricing
  - State preference model
  - Arbitrage pricing
  - Market equilibrium
5. Dynamic asset pricing
6. Risk and information
7. Asymmetric information on financial market

## Literature

- Hens, T. and M.O. Rieger, Financial Economics A Concise Introduction to Classical and Behavioral Finance, Springer, 2010.
- Danthine, J.-P. and J. Donaldson, Intermediate Financial Theory, 2nd ed., Elsevier Academic Press, 2005.
- Eeckhoudt, L., C. Gollier, H. Schlesinger, Economic and Financial Decisions under Risk, 2005, Princeton University Press.

More basic reading:

- Copeland, T. E., J. F. Weston, K. Shastri, Financial Theory and Corporate Policy (4th ed.), Pearson Education, 2005

Additional literature is given in the course.

## Grading

Because of the immanent nature of the examination process personal attendance is required. Since exercise sections will be interwoven with lectures it is natural that you need to attend both to keep on top of things.

Grading will consist of two exams and your contributions, both in assignments and in class:

1. Class Participation and Exercises: 20%

To pass the course you have to "tick" at least 50% of the problems, website:

<http://www.univie.ac.at/nuhag-php/kreuz/>.

Apart from that the total number of ticked problems does not influence the grading.

Grading is based only on presentation of problems and contribution to discussions.

If you tick a problem and it turns out that you have not prepared it or that you are not even present when the problem is to be discussed all ticked problems for the lecture will be cancelled.

2. Mid term and end term exam: 80% (equally weighted)

## eLearning:

Please find additional material for the course at the e-learning platform of the University of Vienna.

I also hope to encourage communication among students and between students and lecturers by using the platform.