The aim of this module is to provide an understanding of the functioning of financial markets. A theoretical framework is given to understand how individuals invest in financial markets and how firms decide in which financial market to raise capital.

**INTENDED LEARNING OUTCOMES**

On successful completion of this module, students should be able to demonstrate the following:

**Module-specific skills:**
- an understanding of stock and bond markets
- a knowledge of UK financial institutions

**Discipline-specific skills:**
- the ability to apply economic analysis to evaluate the performance of financial markets

**Personal and key skills:**
- analytical and problem-solving skills

**LEARNING/TEACHING METHODS**

Two one-hour lectures per week and one one-hour tutorial per fortnight.

**ASSIGNMENTS AND ASSESSMENT**

Weekly exercises nor for credit. Solutions should be brought to the next tutorial.

This module is formally assessed in January by a two hour examination.

**SYLLABUS PLAN**

The module will cover the following topics:

- 1: Introduction (Ch.1 of Ross; Ch.1 of Bodie)
- 2: Financial Markets and Institutions (Ch.2 of Bodie; Ch.1 of Ross)
- 3: Managing Financial Health and Performance (Ch.3 of Bodie; Ch.2 and Ch.3 of Ross)
- 4: Discounted Cash Flow Valuation (Ch.4 of Bodie; Ch.4 of Ross)
- 5: Interest Rates and Bond Valuation (Ch.8 of Bodie; Ch.5 of Ross)
- 6: Stock Valuation (Ch.9 of Bodie; Ch.6 of Ross)
- 7: The Analysis of Investment Projects (Ch.6 of Bodie; Ch.7 and Ch.8 of Ross)
- 8: Risk and Return Lessons from Market History (Ch.2 of Bodie; Ch.10 of Ross)
- 9: The Capital Asset Pricing Model (Ch.13 of Bodie; Ch.11 of Ross)
- 10: Risk, Cost of Capital, and Capital Budgeting (Ch.6 and Ch.13 of Bodie; Ch.12 of Ross)
- 11: Principles of Market Valuation (Ch.7 of Bodie; Ch.13 and Ch.20 of Ross)
- 12: Corporate Financing Decisions and Efficient Capital Markets (Ch.7 of Bodie; Ch.13 of Ross)
- 13: Capital Structure (Ch.16 of Bodie; Ch.14 and Ch.15 of Ross)
- 14: Dividends and Other Payouts (Ch.16 of Bodie; Ch.16 of Ross)
- 15: Options (Ch.15 of Bodie; Ch. 17 of Ross)
- 16: Risk Management (Ch.10 and Ch.11 of Bodie; Ch.9 of Ross)
- 17: Forward and Futures Markets (Ch.14 of Bodie; Ch.20 of Ross)
**INDICATIVE BASIC READING LIST**

The main textbook chosen for the module is: *Corporate Finance: Core Principles and Applications* by Ross, Westerfield, Jordan and Jaffe. **ISBN:** 0071284338.

In preparing the class material, I also made use of *Financial Economics: International Edition* by Bodie, Merton and Cleeton (its previous edition: *Finance* by Bodie and Merton is available at the main library). Students may prefer to use this textbook instead of *Corporate Finance*, since it has perhaps a more accessible approach (which may be important, specially for students unease with math) and covers essentially the same material as *Corporate Finance*.

I also recommend that students visit the website of John Teall: [http://www.jteall.com/1.html](http://www.jteall.com/1.html). His website contains many lecture notes and links that are certain to be useful to any student during this and future finance courses.

For this course, I particularly recommend the Fin 301 (Financial Management) Coursepack ([http://webpage.pace.edu/jteall/fin301.htm](http://webpage.pace.edu/jteall/fin301.htm)). This material can be downloaded for free and covers much of the material that will be taught in class. It contains an Elementary Mathematics Review (this is strongly recommended reading for students having difficulties with mathematics), Instructor-Prepared Notes, Sample Exams, Exercises and Solutions.

**DATE OF LAST REVISION** | October 2008