

Module Layout
BEC323 / Financial Theory

Faculty	FEM	Economics and Management	
Programme of Study	BEC	Business Economics	
Module	BEC322	Financial Theory	
Level of Study	Undergraduate	Graduate	
	√	Master	Doctoral
Language of Instruction	English		
Mode of Delivery	Distance		
Module Type	Required	Electives	
	√		
Number of Group Consulting Meetings	Total	Physical Presence	Online
	5	-	5
Number of Assignments	2		
Final Grade Calculation	Assignments	Weekly Activities	Final Exam
	30 %	10 %	60 %
Number of European Credit Transfer System (ECTS)	10		

Module Description

The module BEC323 Financial Theory introduces the main concepts and theories in Finance. More specifically, the students are introduced to the general concept of investing. We present the risk-return trade-off, the major categories financial of assets and the role of financial intermediaries. Next, the different types of markets are analyzed starting by the Money and Capital markets and the primary and secondary, while the way that different securities are traded is also discussed.

We further investigate the role of various assets in the context of capital allocation. Thereby, we describe the process of constructing a portfolio involving a two-step procedure, namely the stock selection and allocation. In the aim to mitigate the effect of risk, the properties of optimal portfolios are investigated. Instead of considering only risky assets, the inclusion of risk-free products gives rise to the CAPM model allowing the building of various borrowing and lending strategies.

The construction of portfolios assumes the presence of a market in equilibrium. Investors behave rationally, maximizing their utility. In a more general level, this means that the market is able to rule out arbitrage opportunities and be efficient. In this line, the main concepts of the Efficient Market Hypothesis are explored together with the observed abnormalities in real markets. One possible interpretation of these deviations from equilibrium is provided by the Behavioral Theory suggesting the existence of cognitive and emotional biases as the source of non-rationality and speculation. Besides, we present the valuation methods of fixed and non-fixed income securities alongside international diversification issues including arbitrage and interest rates behavior. The module ends with the discussion of the option and futures markets and their role to address the systematic risk.

Pre-requisite Modules

None

Co-requisite Modules

None

Grading Scheme

Assessment Method	Percentage on Final Grade	Workload	
		Hours	ECTS
Study Week (13 weeks * ~12 hours of study) (2 weeks * ~18 hours of study)	0%	~180 - ~210	7
Weekly Interactive Activities	10 %	~25 - ~30	1
Assignment 1	15 %	~18 - ~25	1
Assignment 2	15 %	~18 - ~25	1
Final/Repeat Examination	60 %	3	-
Total	100 %	~250 - ~300	10

Grading Rules and Assessment methods

- Students are evaluated with 9, if they earn 90% of the possible grade, i.e. $90\% \times 10 = 9$, etc.
- **Passing rate**
 - 50% of the Assignments
 - 50% of the Interactive Activities
 - Students are allowed to participate in the final exam of a Module if they have overall earned the minimum grade ($\geq 50\%$) in both their Assignments and Interactive Activities
 - 50% of the Final Exam

If a student obtains a grade with decimal points, then the final grade is rounded to the nearest half unit. This module (Thematic Unit) is considered to have been successfully completed when the grade is equal to or higher than 5.0.