



M.Sc. Economics

Economics and Politics

Finance

Information Systems and Network Economics

Course title	Principles of Finance		
Instructor	Prof. Dr. Eva Lütkebohmert-Holtz	Semester	First year
ECTS (credit points)	6	Contact hours (SWS)	2+2 (lecture/tutorial)
Prerequisites			
Learning target/ qualification	Introduction to basic concepts of asset pricing and the valuation of contingent claims.		
Content	<p>This course introduces the basic concepts of asset pricing and the valuation of contingent claims. Asset pricing in complete markets generates strong results such as information efficiency and the concepts of a market portfolio and a market price of risk. Moreover, in dynamically complete markets simple arbitrage techniques allow to value derivatives such as options. Empirically, however, the predictions based on complete markets are often rejected. So-called anomalies suggest that many – if not most – real markets are incomplete. Therefore, the lecture also introduces elements of valuation in incomplete markets when the property of equilibrium prices to communicate private information is rather limited.</p>		
Exam type	120 min. written examination at the end of the semester		
Literature	<p>Cochrane: <i>Asset Pricing</i>, Princeton University Press, 2005.</p> <p>Gitman: <i>Principles of Managerial Finance</i>, 11th ed., Addison-Wesley, 2006.</p> <p>LeRoy, Werner: <i>Principles of Financial Economics</i>, Cambridge University Press, 2001.</p> <p>Ma: <i>Advanced Asset Pricing Theory</i>, Series in Quantitative Finance, Vol. 2, Imperial College Press, 2011.</p>		
Additional Information & Links	Course outlines, dates, and further information can be found on the web page of the department: http://finance.uni-freiburg.de		