

INTEGRATED MASTER PROGRAM (IMP)

MEP Master of Economics and Politics

MF Master of Finance

MIE Master of Internet Economics

Course title	Principles of Finance		
Professor	JProf. Dr. Eva Lütkebohmert-Holtz	Semester	1st
ECTS (credit points)	6	Contact hours (SWS)	3+1
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 second part 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>Bingham, Kiesel "Risk-Neutral Valuation: Pricing and Hedging of Financial Derivatives." 2nd ed., Springer Finance, 2004. Cochrane "Asset Pricing." Princeton University Press, 2005. Elton, Gruber, Brown, Goetzman "Modern Portfolio Theory and Investment Analysis", 6th Edition, John Wiley & Sons, 2003. Gitman "Principles of Managerial Finance", 11th Edition, Addison-Wesley, 2006. Hull "Options, Futures and Other Derivatives." 7th ed., Prentice Hall, 2009. LeRoy, Werner "Principles of Financial Economics", Cambridge University Press, 2001. Shreve "Stochastic Calculus for Finance I: The Binomial Asset Pricing Model." Springer Finance, 2005.</p>		
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