Course Title
Financial Markets and Investments

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Language
English

Overview
The course builds on three main blocks which aims at introducing students from diverse backgrounds to i) the structure and organization of stock exchanges with a focus on the organization of trades and different order types that investor can submit in stock exchanges, ii) capital investment appraisal techniques, and iii) fundamental theories and techniques in finance that are of concern to all those involved in financial decision making. The topics broadly cover:

- Stock exchanges and their organization
- Capital investment appraisal techniques
- The theory of risk, return, cost of capital and investment decision
- The efficient markets hypothesis (EMH) and an introduction to behavioral finance
- Firm’s capital structure decision

Prerequisites
The course will be easier for students who have studied fundamentals of finance and who have a sound level of mathematics background.
Course Objectives

The course will provide a coverage of fundamental theories and principles of finance that are important for all financial decision makers: be it an individual, a corporation, or an investment professional. In order to achieve this objective, it is important to understand first the role of financial markets in general and the organization of stock exchanges in particular. As a second building block, it will be crucial to interpret a company’s investment decision process and the fundamental techniques applied in investment decision making. The last part of the course will be dedicated to investments and the fundamental relation between risk and return, with a certain emphasis on behavioral explanations to some puzzles in finance and firm’s capital structure decision.

Learning Outcomes

At the end of the course, students should be able to:

- Understand the role and organization of financial markets in general and stock exchanges in particular
- Assess investment projects using capital budgeting techniques, and understand the problems associated with applying such techniques in practice
- Understand the relationship between risk and required return and interpret the capital asset pricing model and assess a company’s cost of capital to evaluate investment projects
- Understand the concept and practical implications of market efficiency; be able to provide a number of rational and behavioral explanations of selected market anomalies
- Interpret the determinants of a firm’s capital structure choice and payout policy

Mode of Assessment

Grading Criteria

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Three unannounced quizzes</td>
<td>30%</td>
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<td>In-class participation</td>
<td>10%</td>
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<td>Final Exam</td>
<td>60%</td>
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Course Schedule

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<tbody>
<tr>
<td>1</td>
<td>Stock exchanges and their organization</td>
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<tr>
<td>2</td>
<td>Organization of trades and order types</td>
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<td>3</td>
<td>Project evaluation criteria</td>
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<td>4</td>
<td>Fundamentals of capital budgeting</td>
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<td>5</td>
<td>Relationship between risk and return</td>
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<td>6</td>
<td>The role of diversification, efficient frontier, and the market portfolio</td>
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<td>7</td>
<td>CAPM and the WACC</td>
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<td>8</td>
<td>The efficient markets hypothesis</td>
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<td>9</td>
<td>Behavioral explanations to some puzzles in finance</td>
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</tbody>
</table>
10  Corporate financing decision
11  The determinants of capital structure
12  Final Exam

Bibliography
The main text for the course is:

MyCourse
This course is on MyCourse: Yes

Grading
The weighted average of three components of the assessment (30% for the three quizzes, 10% for participation and 60% for the final exam) will determine the final grade.

Unannounced quizzes: You will have three unannounced quizzes of 15 minutes each of which will contribute to 10% of your final grade.

Class participation: Active class participation is strongly encouraged. Coming to class on time and prepared is known to increase students’ learning curve. Class participation is based on quality of comments, not quantity.

Exam policy: The final exam is closed book, closed notes. Students are allowed to bring non-programmable calculators allowed by the University. Unexcused absences from exams or failure to submit cases will result in zero grades in the calculation of numerical averages. Exams are collected at the end of examination periods.

Academic integrity
Be aware of the rules in Université Paris-Dauphine about plagiarism and cheating during exams. All work turned in for this course must be your own work.