Financial Economics
Prof. Surajeet Chakravarty, University of Exeter, UK.

SHORT COURSE DESCRIPTION
The course presents the theory of decision-making under risk and the economics of information, discussing applications of the theory in the areas of banking and finance. The topics covered include expected utility theory, CAPM, adverse selection, moral hazard, the Modigliani-Miller theorems and the incentive effects of debt and equity.

READING MATERIALS
All material, including lecture notes and journal papers will be provided online and will be available on SKKU website.

COURSE REQUIREMENTS AND GRADING
The course will require students to attend and participate 20%, make a presentation in class 40% and provide a written report on a topic given 40%. Note SKKU regulations require students to attend at least 80% of all classes.

COURSE SCHEDULE

– WEEK I –

Tuesday (26 June) – Asset Markets

Wednesday (27 June) – Uncertainty and Risk

Thursday (28 June) – Portfolio theory

Friday (29 June) – CAPM

– WEEK II –

Monday (2 July) – Efficient market Hypothesis

Tuesday (3 July) – Takeovers.

Wednesday (4 July) – The Modigliani-Miller Theorems

Thursday (5 July) – Incomplete contract and firms

– WEEK III –

Monday (9 July) – Moral Hazard

Tuesday (10 July) – Incentives effects of debt and equity

Wednesday (11 July) – Adverse selection and debt equity ratio.
Thursday (12 July) - Bankruptcy

WEEK IV

Monday (16 July) - Bank Runs

Tuesday (17 July) - Behavioral finance

Wednesday (18 July) - Coursework presentation and feedback.