



**UNIVERSITY OF PIRAEUS
DEPARTMENT OF ECONOMICS
M.Sc. IN ECONOMIC AND BUSINESS STRATEGY**

Management of Financial Resources

Instructor: Professor Angelos KANAS

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COURSE OBJECTIVES:

The course aims at providing a sound understanding and appreciation of the principles of corporate finance. The course describes both the theory and practice of financial decision making by corporations, and shows how financial theory can be used to address practical problems and illuminate institutional aspects of the financial world. The course will emphasize the valuation of financial assets in a risk-return framework, and will help you understand how capital markets operate. Specific topics to be covered include the concept of the time value of money, net present value (NPV) and its application to capital budgeting investments, portfolio theory and the CAPM, market efficiency, derivatives and applications, and financial policy. Certain topics will also be covered through EXCEL spreadsheet applications.

MODE OF INSTRUCTION:

The course will use a mixture of lectures and text reading assignments, supplemented with solution of problems, case analyses and presentations (both written and oral) to better appreciate the application of theoretical concepts and tools to various real-world financial situations: an oral group presentation and a written report on an assigned case are expected. Selected chapter problems for practicing the concepts will be assigned for homework to provide regular progress feedback.

COURSE MATERIALS:

Required

Brealey R., S Myers, F Allen, (BMA) (2014) Principles of Corporate Finance, *McGraw Hill*, 11th edition.

Bibliography

1. T E Copeland and J F Weston, Financial Theory and Corporate Policy, 3rd edition, 1988, Addison Wesley Pub. Company.
2. F. Fabozzi and F Modigliani (1996): Capital Markets. 2nd edition, Prentice Hall.
3. M. Levi (1996): International Finance: The Markets and Financial Management of Multinational Business', 3rd edition, McGraw Hill.
4. Z. Bodie, A. Kane and A Marcus (1996): Investments, 3rd edition, Irwin.

Articles

1. Black F and M Scholes, The pricing of options and corporate liabilities, Journal of Political Economy, 81, 637-654, May-June 1973.
2. Bollerslev, T. R. Y. Chou, and K Kroner, ARCH modeling in finance, Journal of Econometrics, 52, 1992, 5-59.
3. Fama, E F, Forward and Spot exchange rates, Journal of Monetary Economics, 14, 1984, 319-338.
4. Fama, E F and K R French, The cross-section of expected stock returns, Journal of Finance, 47, June 1992, 427-465.
5. Kanas, A, Is economic exposure asymmetric between long-run depreciations and appreciations? Testing using cointegration analysis, Journal of Multinational Financial Management, 1997, 7, 27-42.
6. Yallop, J.M, 1991, Hedging average rate currency options, Discussion Paper, Morgan Grenfeld & Co. Limited.
7. Levi, M D. and P Sercu, Erroneous and valid reasons for hedging foreign exchange exposure, Journal of Multinational Financial Management, 1, 1997, 25-37.

COURSE OUTLINE

<u>Week</u>	<u>Reading(BMA)</u>	<u>Topic</u>
1 (8 Oct)	Chapter 1	Introduction. Financial decision making
2 (15 Oct)	Chapter 2,3	Time value of money and applications in finance
3 (22 Oct)	Chapter 5	Why NPV leads to better investment decisions Applications
4 (29 Oct)	Chapter 6	Making Investment decisions with the NPV rule
5 (5 Nov)	Chapter 7	Portfolio Theory: Measuring Risk and Return. Efficient Frontiers. Applications
6 (12 Nov)	Chapter 8	Diversification. Investors' Preferences. Equilibrium.
7 (19 Nov)	Chapter 8	Separation Theorem. Capital Market Line.
8 (26 Nov) 8	MID TERM TEST Chapter 8	(18.30 – 20.00), CHAPTERS 1, 2, 3, 5, 6 Asset Pricing models. The beta of a stock. Beta book. Applications
9 (3 Dec)	Chapter 20	Financial Options: Ordinary stock options, Definitions. Second generation options.
10 (10 Dec)	Chapter 21	Pricing of options. Binomial. Black and Scholes. Real options. Applications
11 (17 Dec)	Chapter 21	Option-based portfolio strategies. Financial engineering, Second generation options, and applications.
12 (14 Jan)	Chapter 3	Debt management and interest rate risk. Duration. Applications
13	FINAL EXAM	

COURSE EVALUATION:

Your performance in the course will be evaluated by a written final exam and a mid term test. The relative weights of each are:

Final Exam	70%
Mid term test	<u>30%</u>
Total	100%