



M.Sc. PROGRAM IN ECONOMIC
AND BUSINESS STRATEGY



UNIVERSITY OF PIRAEUS
DEPARTMENT OF ECONOMICS

FINANCIAL ANALYSIS



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FINANCIAL ANALYSIS

COURSE OBJECTIVES

The course aims at providing a deep understanding and appreciation of topics in corporate finance, financial markets, and banking. The course describes both the theory and practice of financial decision making by corporations, financial managers, and investment funds, 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 decision making for financial corporate policies and certain financial markets of options and financial derivatives. Specific topics to be covered include financial derivatives and applications in investments, currency markets, the determination of exchange rates and exchange rate risks, financial market operations, financial policies, banking and stress tests, and applications using EViews and R.

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.

SOFTWARE

Students are advised to download the free student lite version of EViews 10
(<http://www.eviews.com/EViews9/EViews9SV/evstud9.html>).

Students are also advised to download R
(<https://cran.rproject.org/bin/windows/base>).

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COURSE MATERIALS

Required

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

Bibliography

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

Articles

- Rhys ap Iwan, Angelos Kanas, and Philip Molyneux, 2013, US prompt corrective action and bank risk, Journal of International Financial Markets Institutions and Money, 26, 1, 239-257
- Black F and M Scholes, The pricing of options and corporate liabilities, Journal of Political Economy, 81, 637-654, May-June 1973.
- Bollerslev, T. R. Y. Chou, and K Kroner, ARCH modeling in finance, Journal of Econometrics, 52, 1992, 5-59.
- Fama, E F, Forward and Spot exchange rates, Journal of Monetary Economics, 14, 1984, 319-338.
- Kanas, A and P Molyneux, Macro stress testing the USA banking system, Journal of International Financial Markets Institutions and Money, 2018, forthcoming.
- 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.
- Gujarati, D., 1995, Basic Econometrics, McGraw Hill

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- Yallop, J.M, 1991, Hedging average rate currency options, Discussion Paper, Morgan Grenfeld & Co. Limited.
- 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

Week	Reading(BMA)	Topic
1	Chapter 20	Introduction. Financial Derivatives.
2	Chapter 21	Financial Options and Pricing, Option Portfolios.
3	Chapter 22	Applications: Portfolio equity risk and hedging using stock index options. Real Options, R&D in pharmaceutical industry.
4	Chapter 27	Exchange rates and currency markets, International investments.
5	Chapter 26	Exchange rate exposure and hedging. Currency futures, currency forwards, currency options, second generation options.
6	Chapter 13	Financial market efficiency. Financial asset prices and dynamic behavior. Empirical modelling.
7		Empirical applications. Applications in EViews, applications in R. Simulating a random walk. Market efficiency testing methods.
8	Chapter 16, 17	Dividend and payout policy. Debt policy
9		Relevant articles Banking issues: Basel Accord, Regulation, (1, 5) Measurement, Value-at-Risk, Stress tests.
10		Applications of VaR and banking issues in R
11		Project Presentations
12		Project Presentations
13		Final exam.

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COURSE EVALUATION

Your performance will be evaluated by a written final exam (70% of the final mark) and a project (30% of the final mark). The project will be a group work, which must be submitted to the instructor in weeks 11/12. Each member of group will be required to present his/her contribution to the project. The submitted work will be assigned a group mark (15% of the final mark), whilst the presentation an individual mark (15% of the final mark). Thus, the project will carry 30% of the final mark. The relative weights of each are:

Final Exam	70%
Project	30%
Total	100%

100 Things to Do at AGHS