



School	Business
Department	Economics, Business & Finance
Module title	Financial Economics
Module Code	2104401
Credit hours:	3 Credit Hours
Module Leader	Huthaifa Alqaralleh (huthaifa89@mutah.edu.jo)

This course starts with a study of the principles of financial economics and then bridges it to higher-level courses in economics and finance. Topics include a critical discussion of the efficient markets theory, an overview of quantitative methods in finance, risk aversion in the context of utility theory, examines portfolio theory, the Capital Asset Pricing Model and multi-factor asset pricing models, bond pricing, duration and convexity, behavioral finance theory, an introduction to the economics of financial crises, and introduces the top-down approach to investment decisions.

On completion of this module, students should:

- Apply utility theory to describe and analyze investment decisions under risk aversion.
- Describe and apply modern portfolio theory.
- Describe, apply and criticize single and multiple factor models of risk and return.
- Identify and describe the risks of managing portfolios of fixed income securities.
- Describe and explain the causes of financial instability and financial crises.
- Be able to apply the formal principles you learn to real-world issues.

Module outline

- Week 1: An Introduction to Financial Economics, Chapter 5
- Week 2: Risk and Risk Aversion, Chapter 6
- Week 3: The Capital Allocation Decision, Chapter 7
- Week 4: Optimal Risky Portfolios, Chapter 8
- Week 5 The Capital Asset Pricing Model and some of its limitations, Chapter 9
- Week 6: Midterm Exam
- Week 7: Arbitrage Pricing Theory, Chapter 9
- Week 8: Rise and Partial Fall of the Efficient Markets Hypothesis, Chapter 11
- Week 9: Rise of Behavioral Finance, Chapter 12
- Week 10: Bond Yields and Interest Rate Risk, Chapter 14

- Week 11: Revision
- Week 12: The Term Structure of Interest Rates, Chapter 15
- Week 13: Minsky's Financial Instability Hypothesis and Financial Crises, Online selected
- Week 14: Minsky's Financial Instability Hypothesis and Financial Crises, Online selected
- Week 15: Revision
- Week 16: Final Exam

Course Materials

- Lecture slides.
- S. Ross, R. Westerfield, B. Jordon, and G. Roberts. Fundamentals of Corporate Finance. Latest Edition, McGraw-Hill Ryerson.

Module Organization

- **Teaching:** 3-hour lectures per week
- **Student workload:** Approximately 6 hours of study per week
- **Feedbacks** will take the shape of one-to-one.

Assessment method:

- Mid Term Exam 30% (1 hour): week 7.
- Weekly exercises/assignments 20% (1 hour): week 11.
- Final Exam 50% (2 hours): week 16.

Course policies

To be explained to the students at the first meeting:

- ✓ **Class attendance:** Students are expected to attend all lectures of this course due to the nature of the course that adopts a cumulative learning process. A prior approval is required for class absence, except for emergencies.

*Students **absent** from class are responsible for obtaining notes of lectures and project assignments from fellow students and are responsible for turning such assignments when due. Absence is not an excuse for meeting an assignments due date.*

- ✓ **Tardy:** Arriving late are not expected in both on-campus and online lectures (if any), as it would affect the understanding of the student to the new topic, and therefore his performance in the daily exercise.
- ✓ **Class behavior:** A student is expected to pay full attention to the tutor, to respect his colleagues, and to keep the lectures and his table clean and tidy. Additionally, full attention shall be kept during the classes as the peer-to-peer learning is one of the major learning tools in the lecture.
- ✓ **Food and drinks:** Snacks and drinks with lids are allowed in the lectures.
- ✓ **Submissions and exams:** The weekly exercises are expected to be submitted on time. Late submissions are only accepted within a week of the original deadline and with 20% cut of the main grade. Failure to attend any exam or quiz will result to have a mark of zero.
- ✓ **Cheating:** Cheating in all its forms are not accepted and would result in an automatic zero for the submission/exam and would be reported to the dean to investigate the case and decide upon a suitable punishment according to the university regulations.