

EC334-15 Topics in Financial Economics: Corporate Finance and Markets

26/27

Department

Economics

Level

Undergraduate Level 3

Module leader

Jo Turrall

Credit value

15

Module duration

10 weeks

Assessment

Multiple

Study location

University of Warwick main campus, Coventry

Description

Introductory description

EC334-15 Topics in Financial Economics: Corporate Finance and Markets

[Module web page](#)

Module aims

The module aims to develop the general intellectual abilities in understanding the roles of capital markets, corporate policy and governance, and the causes for the financial crises. It also introduces the subject specific technical skills in finance and financial policy for firms. The aims of the module are to equip students with an understanding of fundamental concepts in modern finance and corporate finance; to develop a range of appropriate analytical skills, including dynamic and theoretic methods; to develop in students the capacity to apply analytical techniques to real world problems.

Outline syllabus

This is an indicative module outline only to give an indication of the sort of topics that may be covered. Actual sessions held may differ.

The module will typically cover the following topics:

Weeks 1-3 Basics

- Real options
 1. Valuing simple real options
 2. Valuing compound options
- The efficient markets hypothesis
 1. Market efficiency and the value of information
 2. Rational expectations
 3. Testing the EMH
- Hidden information and Hidden Actions
 1. Basic problem
 2. Contract theory
 3. Signalling Weeks

Weeks 4-5 Corporate Financial Policy

1. The role of the CFO and other executives
2. Capital structure – the first Modigliani-Miller Theorem
3. Pay-out policy

Weeks 6-8 Applying the theory

1. Choice of projects by firms – (risk-shifting, debt overhang)
2. Executive compensation and managerial effort
3. Competition and efficiency
4. Changes in structure including M&A

Weeks 9-10 Topics

1. Automated financial markets
2. The wisdom of crowds? Pricing uncertainty

Learning outcomes

By the end of the module, students should be able to:

- Subject knowledge and understanding:....understand key concepts in corporate finance, markets and debt and equity.

- Subject knowledge and understanding:...demonstrate knowledge of incomplete markets, dividends, and corporate financial governance.
- Subject knowledge and understanding:...abstract and simplify basic economic problems through the application of simple theoretical methods.
- Key Skills:...communicate knowledge and understanding of economics in written and in elementary mathematical forms.
- Key Skills:...conduct individual and collaborative research into a finance topic, using world wide web and library resources.
- Cognitive skills:...analyse and formulate models for understanding and solving problems.
- Cognitive skills:...analyse competing models and hypotheses in a critical way.
- Subject-specific/Professional skills:...select and apply appropriate models and techniques to particular problems, especially those of a policy nature.
- Subject-specific/Professional skills:...produce concise and analytical reports relating to financial problems and issues.

Indicative reading list

[Reading lists can be found in Talis](#)

[Specific reading list for the module](#)

Subject specific skills

Applied Economics
 Economic information
 Economic principles
 Research and debate
 Abstraction
 Analysis of incentives
 Analysis of institutions
 Analytical reasoning
 Analytical thinking and communication
 Creative thinking
 Critical thinking
 Policy evaluation
 Problem solving
 Strategic thinking
 Sustainability

Transferable skills

Data-based skills
 IT skills
 Numeracy and quantitative skills
 Research skills
 Information technology

Math, Statistical, data-based research skills
Oral communication
Written communication

Study

Study time

Type	Required
Lectures	20 sessions of 1 hour (13%)
Seminars	4 sessions of 1 hour (3%)
Private study	126 hours (84%)
Total	150 hours

Private study description

Private study will be required in order to prepare for seminars/classes, to review lecture notes, to prepare for forthcoming assessments, tests, and exams, and to undertake wider reading around the subject.

Costs

No further costs have been identified for this module.

Assessment

You do not need to pass all assessment components to pass the module.

Students can register for this module without taking any assessment.

Assessment group D5

	Weighting	Study time	Eligible for self-certification
Assignment 2	20%		No
Centrally-timetabled examination (On-campus)	80%		No

- Answerbook Pink (12 page)
- Students may use a calculator

Assessment group R4

	Weighting	Study time	Eligible for self-certification
Examination	100%		No

- Students may use a calculator

Feedback on assessment

The Department of Economics is committed to providing high quality and timely feedback to students on their assessed work, to enable them to review and continuously improve their work. We are dedicated to ensuring feedback is returned to students within 20 University working days of their assessment deadline. Feedback for assignments is returned either on a standardised assessment feedback cover sheet which gives information both by tick boxes and by free comments or via free text comments on tabula, together with the annotated assignment. For tests and problem sets, students receive solutions as an important form of feedback and their marked assignment, with a breakdown of marks and comments by question and sub-question. Students are informed how to access their feedback, either by collecting from the Undergraduate Office or via tabula. Module leaders often provide generic feedback for the cohort outlining what was done well, less well, and what was expected on the assignment and any other common themes. This feedback also includes a cumulative distribution function with summary statistics so students can review their performance in relation to the cohort. This feedback is in addition to the individual-specific feedback on assessment performance.

[Past exam papers for EC334](#)

Availability

Pre-requisites

EC202-30 Microeconomics 2 AND EC333-15 Topics in Financial Economics: Theories and International Finance

OR

EC204-30 Economics 2 AND EC333-15 Topics in Financial Economics: Theories and International Finance OR

EC220-15 Mathematical Economics 1A AND EC333-15 Topics in Financial Economics: Theories and International Finance OR

EC238 Economics 2: Microeconomics AND EC333-15 Topics in Financial Economics: Theories and International Finance OR

ST339-15 Introduction to Mathematical Finance OR

IB253-15 Principles of Finance 1

Cannot be taken with EC333

To take this module, you must have passed:

- Any of
 - All of
 - [EC220-15 Mathematical Economics 1A](#)
 - [EC333-15 Topics in Financial Economics: Theories and International Finance](#)
 - [ST339-15 Introduction to Mathematical Finance](#)
 - [IB253-15 Principles of Finance 1](#)
 - All of
 - [EC202-30 Microeconomics 2](#)
 - [EC333-15 Topics in Financial Economics: Theories and International Finance](#)
 - All of
 - [EC204-30 Economics 2](#)
 - [EC333-15 Topics in Financial Economics: Theories and International Finance](#)

Anti-requisite modules

If you take this module, you cannot also take:

- IB254-15 Principles of Finance 2

Courses

This module is Optional for:

- Year 4 of UECA-L1N3 BSc Economics and Management with Placement Year
- TECA-L1PA Postgraduate Taught Economics (Diploma plus MSc)
 - Year 1 of L1PA Economics (Diploma plus MSc)
 - Year 2 of L1PA Economics (Diploma plus MSc)
- UECA-3 Undergraduate Economics 3 Year Variants
 - Year 3 of L100 Economics
 - Year 3 of L116 Economics and Industrial Organization
- UECA-4 Undergraduate Economics 4 Year Variants
 - Year 4 of LV16 Economics & Economic History with Study Abroad
 - Year 4 of L103 Economics with Study Abroad
 - Year 4 of LM1H Economics, Politics & International Studies with Study Abroad
 - Year 4 of L114 Industrial Economics with Study in Europe
- Year 3 of UECA-L1N2 Undergraduate Economics and Management
- Year 3 of UECA-LM1D Undergraduate Economics, Politics and International Studies
- UPHA-L1CA Undergraduate Economics, Psychology and Philosophy
 - Year 3 of L1CA Economics, Psychology and Philosophy
 - Year 3 of L1CC Economics, Psychology and Philosophy (Behavioural Economics Pathway)
 - Year 3 of L1CD Economics, Psychology and Philosophy (Economics with Philosophy Pathway)

- Year 3 of L1CE Economics, Psychology and Philosophy (Philosophy and Psychology Pathway)
- UPHA-L1CB Undergraduate Economics, Psychology and Philosophy (with Intercalated Year)
 - Year 4 of L1CG Economics, Psychology and Philosophy (Behavioural Economics Pathway) (with Intercalated Year)
 - Year 4 of L1CH Economics, Psychology and Philosophy (Economics with Philosophy Pathway) (with Intercalated Year)
 - Year 4 of L1CJ Economics, Psychology and Philosophy (Philosophy and Psychology Pathway) (with Intercalated Year)
 - Year 4 of L1CB Economics, Psychology and Philosophy (with Intercalated Year)
- Year 3 of USTA-G300 Undergraduate Master of Mathematics, Operational Research, Statistics and Economics
- Year 3 of UMAA-GL11 Undergraduate Mathematics and Economics
- Year 4 of UECA-GL12 Undergraduate Mathematics and Economics (with Intercalated Year)
- Year 5 of USTA-G1G4 Undergraduate Mathematics and Statistics (BSc MMathStat) (with Intercalated Year)
- Year 3 of UPHA-V7ML Undergraduate Philosophy, Politics and Economics
- UPHA-V7MM Undergraduate Philosophy, Politics and Economics (with Intercalated year)
 - Year 4 of V7MQ Philosophy, Politics and Economics (Bipartite) with Intercalated Year
 - Year 4 of V7MH Philosophy, Politics and Economics - Economics/Philosophy Bipartite (Economics Major) (with Intercalated year)
 - Year 4 of V7MF Philosophy, Politics and Economics - Economics/Politics Bipartite (Economics Major) (with Intercalated year)
 - Year 4 of V7MI Philosophy, Politics and Economics - Philosophy/Economics Bipartite (Philosophy Major) (with Intercalated year)
 - Year 4 of V7MJ Philosophy, Politics and Economics - Philosophy/Politics Bipartite (with Intercalated year)
 - Year 4 of V7MG Philosophy, Politics and Economics - Politics/Economics Bipartite (Politics Major) (with Intercalated year)

This module is Unusual option for:

- Year 3 of UPHA-L1CA Undergraduate Economics, Psychology and Philosophy
- UPHA-V7ML Undergraduate Philosophy, Politics and Economics
 - Year 3 of V7MR Philosophy, Politics and Economics (Bipartite with Economics Major)
 - Year 3 of V7MP Philosophy, Politics and Economics (Bipartite)
- UPHA-V7MM Undergraduate Philosophy, Politics and Economics (with Intercalated year)
 - Year 4 of V7MS Philosophy, Politics and Economics (Bipartite with Economics Major) (with Intercalated Year)
 - Year 4 of V7MQ Philosophy, Politics and Economics (Bipartite) with Intercalated Year
 - Year 4 of V7MM Philosophy, Politics and Economics (Tripartite) (with Intercalated year)

This module is Option list A for:

- Year 3 of USTA-Y602 Undergraduate Mathematics, Operational Research, Statistics and Economics

- Year 4 of USTA-Y603 Undergraduate Mathematics,Operational Research,Statistics,Economics (with Intercalated Year)

This module is Option list B for:

- Year 5 of USTA-G301 Undergraduate Master of Mathematics,Operational Research,Statistics and Economics (with Intercalated
- Year 4 of USTA-G1G3 Undergraduate Mathematics and Statistics (BSc MMathStat)
- Year 3 of USTA-GG14 Undergraduate Mathematics and Statistics (BSc)
- Year 4 of USTA-GG17 Undergraduate Mathematics and Statistics (with Intercalated Year)

This module is Option list C for:

- USTA-G301 Undergraduate Master of Mathematics,Operational Research,Statistics and Economics (with Intercalated
 - Year 3 of G30F Master of Maths, Op.Res, Stats & Economics (Econometrics and Mathematical Economics Stream) Int
 - Year 4 of G30F Master of Maths, Op.Res, Stats & Economics (Econometrics and Mathematical Economics Stream) Int
- UPHA-V7ML Undergraduate Philosophy, Politics and Economics
 - Year 3 of V7MP Philosophy, Politics and Economics (Bipartite)
 - Year 3 of V7ML Philosophy, Politics and Economics (Tripartite)
- UPHA-V7MM Undergraduate Philosophy, Politics and Economics (with Intercalated year)
 - Year 4 of V7MS Philosophy, Politics and Economics (Bipartite with Economics Major) (with Intercalated Year)
 - Year 4 of V7MQ Philosophy, Politics and Economics (Bipartite) with Intercalated Year
 - Year 4 of V7MM Philosophy, Politics and Economics (Tripartite) (with Intercalated year)

This module is Option list D for:

- Year 3 of USTA-G1G3 Undergraduate Mathematics and Statistics (BSc MMathStat)
- Year 4 of USTA-G1G4 Undergraduate Mathematics and Statistics (BSc MMathStat) (with Intercalated Year)
- Year 3 of UPHA-V7ML Undergraduate Philosophy, Politics and Economics