

IB235-15 Finance 1: Financial Markets

26/27

Department

Warwick Business School

Level

Undergraduate Level 2

Module leader

Ganesh Viswanath Natraj

Credit value

15

Module duration

10 weeks

Assessment

Multiple

Study location

University of Warwick main campus, Coventry

Description

Introductory description

This module is only open to WBS undergraduate students, and some students taking joint degrees with WBS and another department. Students from other departments cannot take this module. To find detailed availability and to apply for this module, log in to my.wbs.ac.uk using your normal IT login details and apply via the my.wbs module application system. Once you've secured a place on my.wbs you should apply via your home department's usual process, which usually takes place via eVision. Note that you do not require the module leader's permission to study a WBS module, so please do not contact them to request it.

This module will:

- Introduce students to the workings of the financial markets.
- Equip students with the knowledge to use quantitative tools for pricing stocks, bonds and derivatives, and for measuring risk and return.
- Develop in students a sound understanding of the main theories and models for valuing financial market instruments.
- Make students aware of key empirical tests of asset valuation models, and their implications.
- Provide students with structured opportunities to practise using the key tools and techniques of Financial Markets theory.
- Prepare students for advanced undergraduate and postgraduate studies in Finance.

Module aims

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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.

Market Efficiency Theory and empirical tests of Efficient Markets Hypothesis.

Asset Valuation Stocks, Bonds, Discounted Cash Flow techniques.

Investor Preferences Risk aversion, Expected utility.

Portfolio Theory Diversification and optimal asset allocation.

Risk vs. Return Capital Asset Pricing Model.

Term Structure Spot rates, forward rates, expected future spot rates.

Pure of interest rates Expectations and Liquidity Preference hypotheses.

Financial derivatives Arbitrage-free futures pricing, binomial option pricing

Learning outcomes

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

- Describe how equity, bond and derivatives markets function, and their importance to both individual investors and corporate decision-makers.
- Explain how these markets determine the prices of stocks, bonds and derivatives.
- Define the different forms of market efficiency, and discuss the findings of empirical tests of the Efficient Markets Hypothesis.
- Assess both theoretical and empirical relationships between risk and return.
- Formulate different hypotheses for the term structure of interest rates.
- Explain key theoretical models and the assumptions that underpin them, and reflect critically on the limitations of those models.
- Interpret empirical evidence.
- Solve numerical problems and analyse case-study information.
- Communicate complex ideas effectively, both verbally and in writing.

Indicative reading list

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

Subject specific skills

1. Discuss topical issues about the theory and practice of financial markets.
2. Construct spreadsheets to value financial instruments and test the robustness of those values to changes in key inputs.
3. Explain and interpret financial market information and data from the financial press.
4. Use web-based resources to find and retrieve financial market data, and spreadsheets to process that data.

Transferable skills

1. Solve structured numerical problems.
 2. Write informed critiques of key issues in asset valuation.
 3. Analyse case studies and construct arguments to support a particular solution.
 4. Construct spreadsheets to: (a) determine the risk-return characteristics of portfolios of risky assets. (b) price stocks, bonds and options.
 5. Calculate the forward price of a traded asset using the noarbitrage principle.
 6. Price option contracts using the one-period binomial model.
 7. Calculate spot and forward rates of interest, and use these to price bonds.
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Study

Study time

Type	Required
Lectures	10 sessions of 1 hour (7%)
Seminars	9 sessions of 1 hour (6%)
Online learning (independent)	10 sessions of 1 hour (7%)
Private study	48 hours (32%)
Assessment	73 hours (49%)
Total	150 hours

Private study description

Private Study.

Costs

No further costs have been identified for this module.

Assessment

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

Assessment group D3

	Weighting	Study time	Eligible for self-certification
Participation Participation in activities on a weekly basis via my.wbs	10%	8 hours	No
Centrally-timetabled examination (On-campus)	90%	65 hours	No

- Answerbook Green (8 page)
- Students may use a calculator

Assessment group R3

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

- Answerbook Green (8 page)
- Students may use a calculator

Feedback on assessment

Feedback via my.wbs.

[Past exam papers for IB235](#)

Availability

Pre-requisites

To take this module, you must have passed:

- All of

- [IB114-15 Financial Management](#)

Post-requisite modules

If you pass this module, you can take:

- IB3M7-15 Alternative and Responsible Investments
- IB3H7-15 Mergers and Acquisitions
- IB3M1-15 Fintech
- IB394-15 International Financial Management
- IB357-15 Investment Management
- IB236-15 Finance 2: Corporate Finance

Anti-requisite modules

If you take this module, you cannot also take:

- EC230-15 Economics of Money & Banking
- IB266-15 Fundamentals of Finance
- IB253-15 Principles of Finance 1

There is currently no information about the courses for which this module is core or optional.