

Liverpool John Moores University

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Title: THE THEORY OF FINANCE
Status: Definitive
Code: **7006BUSAE** (100187)
Version Start Date: 01-08-2011

Owning School/Faculty: Liverpool Business School
Teaching School/Faculty: Liverpool Business School

Team	Leader
Graham Padgett	Y

Academic Level: FHEQ7
Credit Value: 15.00
Total Delivered Hours: 41.00
Total Learning Hours: 150
Private Study: 109

Delivery Options

Course typically offered: Semester 1

Component	Contact Hours
Lecture	26.000
Tutorial	13.000

Grading Basis: 40 %

Assessment Details

Category	Short Description	Description	Weighting (%)	Exam Duration
Exam	AS1	Examination	100.0	2.00

Aims

1. To provide a thorough training in the Theory of Finance.

Learning Outcomes

After completing the module the student should be able to:

- 1 Explain and critically appraise the theoretical framework underpinning classical finance theory.
- 2 Evaluate how the classical finance theories have developed since their inception, and synthesise and appraise differing view points.
- 3 Demonstrate, where appropriate, classical finance theories mathematically and/or computationally.

Learning Outcomes of Assessments

The assessment item list is assessed via the learning outcomes listed:

EXAM 1 2 3

Outline Syllabus

The historical relationship between risk and return
The Markowitz Mean-Variance Framework
The Single Index Model
The Arbitrage Pricing Theory
The Efficient Market Hypothesis (EMH)
Testing the EMH using statistical tests, event studies and calendar anomalies.
The single and two-period dividend growth model
Bond pricing
Bond portfolio management
Relationship between spot and futures prices

Learning Activities

13x2hr lectures, 13x1.5hr tutorials/IT workshops

References

Course Material	Book
Author	Elton, E, Gruber, M, Brown, S and Goetzmann, W
Publishing Year	2006
Title	Modern Portfolio Theory and Investment Analysis
Subtitle	
Edition	
Publisher	John Wiley
ISBN	0470050829

Course Material	Book
Author	Cuthbertson, K and Nitzsche, D
Publishing Year	2008
Title	Investments

Subtitle	Spot and Derivatives Markets
Edition	
Publisher	Wiley
ISBN	0470519568

Course Material	Book
Author	Dunis, C, Laws, J, and Naim, P [eds]
Publishing Year	2003
Title	Applied Quantitative Methods for Trading and Investment
Subtitle	
Edition	
Publisher	John Wiley
ISBN	0470848855

Notes

To introduce the students to the fundamental theories of finance which will allow them to put into context the more practical oriented material covered in the second semester modules.

Formative assessment is provided throughout the module through the use of weekly tutorial questions. The examination is the summative assessment.