

**Course Description**  
**Financial Economics**  
**Department of Economics**  
**Bachelor of Science Program**

**Module number and title:** Financial Economics

**Form and usability of the module:** Elective course for B.Sc. Economics

**Responsible teacher of the module:** Prof. Dr. von Thadden / Dr. André Stenzel

**Cycle of offer:** Once per Academic year, typically in the Spring Term

**ECTS credits:** 6

**Teaching method (hours per week):** Lecture (2SWS) + Tutorial (1SWS)

**Workload:** 21 hours in lectures, 10.5 hours in exercises, 136 hours for guided independent study, preparing exercises, and exam preparation

**Course language:** English

**Prerequisites:** Microeconomics A+B

**Grading and ECTS credits:** 100% Final Exam (2 hours)

**Goals and contents of the module:**

This course introduces basic tools to understand financial economics.

The introduction provides a brief description of basic securities like bonds and stocks, and of the functioning of financial markets.

The first part of the courses focuses on how an investor should optimally design a financial portfolio in order to diversify risk and derives one of the most influential asset pricing method: the Capital Asset Pricing Method (CAPM).

The second part of the course deals with corporate finance. It presents the Modigliani-Miller theorem and turns to the analysis of the trade-off theory, which assesses the relative benefits of debt and equity.

The final part of the course is about corporate financing under asymmetric information, in particular in the presence of moral hazard.

**Expected competences acquired after completion of the module:**

Students acquire a broad knowledge about important concepts related to financial economics. Amongst other things, they understand how efficient portfolios are constructed, the pecking order theory, and the determinants of borrowing capacity. They are able to apply these concepts to a

multitude of scenarios and can synthesize these considerations to for example discuss the advantages and disadvantages which affect a company's optimal choice of the debt-to-equity ratio or leverage.

They are able to understand the theoretical foundations underpinning the results, and can critically discuss the underlying assumptions and resulting implications. This provides students with the foundation to further their studies in fields related to Financial Economics, and allows them to self-study more advanced material or research articles.

The concepts discussed in the course have broad applicability in the workspace, be it within the financial sector itself, or in other sectors such as management consulting. More generally, the course teaches and promotes analytical thinking which is essential and helpful regardless of future career choices. The course also teaches students to clearly express their thoughts both to specialist and non-specialist audiences.

**Further information:** -

**Expected number of students in class:** 75

**Contact Information:**

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