## KentVision Code and title of the module

ECON5630 Financial Economics and Asset Pricing

## Division and School/Department or partner institution which will be responsible for management of the module

Division of Human and Social Sciences, School of Economics

## The level of the module (Level 4, Level 5, Level 6 or Level 7)

Level 6

## The number of credits and the ECTS value which the module represents

15 credits (7.5 ECTS)

## Which term(s) the module is to be taught in (or other teaching pattern)

Autumn or Spring

## Prerequisite and co-requisite modules and/or any module restrictions

Prerequisites:

ECON5000 Microeconomics

ECON5020 Macroeconomics

## The course(s) of study to which the module contributes

#### Compulsory to the following courses:

* BSc Financial Economics (with Econometrics)

#### Optional to the following courses:

* all other Single and Joint Honours Degree courses in Economics

The module is NOT available to students across other degree courses in the University

## The intended subject specific learning outcomes. On successfully completing the module students will be able to:

8.1 Understand the basic concepts and issues in financial economics

8.2 Demonstrate critical understanding of decision making relevant to investment optimisation

8.3 Demonstrate knowledge and understanding of the principles of risk neutral asset pricing

8.4 Understood the principles underlying numerical computation of asset prices

8.5 Demonstrate analytical and numerical skills through analyses of asset pricing relevant to the working of financial markets

8.6 Solve analytical, numerical and computational asset pricing problems.

## The intended generic learning outcomes. On successfully completing the module students will be able to:

9.1 Reflect critically on the application of economic models to real-world problems

9.2 Address financial and economic problems using deductive and inductive reasoning

9.3 Retrieve, review and utilise information, particularly quantitative data, from a variety of sources

9.4 Communicate coherent economic and financial arguments by a variety of methods

9.5 Plan work and study independently.

## A synopsis of the curriculum

The module develops skills in asset pricing and an understanding of the theoretical basis of the theory behind it. The module requires knowledge of some mathematical techniques but stresses practical training in asset pricing with a focus on the intuitions and heuristics behind theorems and formulae, rather than their rigorous derivations and semantic definitions

There are three key topics; (i) investors' optimisation, (ii) discrete time models and (iii) option Greeks and option strategies. For (i), the module first introduces the basic financial economics, and, based on it, we establish the basis of the risk-neutral probability. For (ii), the module discusses how to construct the tree model based on the historical price data, and shows that the model can be used to find the fair prices of a wide range of financial derivatives. For (iii), the module investigates the Black-Scholes-Merton (BSM) formula, and then how to use it to find the optimal hedge ratio for delta hedging. In this respect, the module also discusses how to use the return correlations to find the optimal hedge ratio.

## Reading list

The University is committed to ensuring that core reading materials are in accessible electronic format in line with the Kent Inclusive Practices.

The most up to date reading list for each module can be found on the university's [reading list pages](https://kent.rl.talis.com/index.html).

## Contact Hours

Private Study: 131 hours

Contact Hours: 19 hours

Total: 150 hours

## Assessment methods

* 1. Main assessment methods

In Course Test, (45 minutes) (10%)

Online Test (10%)

Examination, 2 hours (80%)

13.2 Reassessment methods

Reassessment Instrument: 100% exam

## Map of module learning outcomes (sections 8 & 9) to learning and teaching methods (section 12) and methods of assessment (section 13)

**Module learning outcomes against learning and teaching methods:**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Module learning outcome** | **8.1** | **8.2** | **8.3** | **8.4** | **8.5** | **8.6** | **9.1** | **9.2** | **9.3** | **9.4** | **9.5** |
| **Lecture** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** |  |  |
| **Terminal Class** |  |  |  | **x** | **x** | **x** |  |  | **x** |  |  |
| **Seminar** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** |
| **Private Study** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** |

**Module learning outcomes against assessment methods:**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Module learning outcome** | **8.1** | **8.2** | **8.3** | **8.4** | **8.5** | **8.6** | **9.1** | **9.2** | **9.3** | **9.4** | **9.5** |
| **In Course Test** | **x** | **x** | **x** |  |  | **x** | **x** | **x** |  | **x** | **x** |
| **Online Test** |  |  | **x** | **x** | **x** | **x** | **x** |  | **x** | **x** | **x** |
| **Examination** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** | **x** |

## Inclusive module design

The Division recognises and has embedded the expectations of current equality legislation, by ensuring that the module is as accessible as possible by design. Additional alternative arrangements for students with Inclusive Learning Plans (ILPs)/declared disabilities will be made on an individual basis, in consultation with the relevant policies and support services.

The inclusive practices in the guidance (see Annex B Appendix A) have been considered in order to support all students in the following areas:

a) Accessible resources and curriculum

b) Learning, teaching and assessment methods.

## Campus(es) or centre(s) where module will be delivered

Canterbury

## Internationalisation

The module studies examples of financial issues from a range of countries across the world at varying stages of development, with a focus on examples and data from the United Kingdom and the United States. The module develops skills and techniques that are globally transferrable.

**DIVISIONAL USE ONLY**

**Module record – all revisions must be recorded in the grid and full details of the change retained in the appropriate committee records.**

| Date approved | New/Major/Minor revision | Start date of delivery of (revised) version | Section revised (if applicable) | Impacts PLOs (Q6 & 7 cover sheet) |
| --- | --- | --- | --- | --- |
| 12.10.2022 | Minor | Sep 2023 | 13 | No |
|  |  |  |  |  |