
Term 2 Elective Modules

Note: Students must choose TWO modules from a list of available electives, one of which MUST be an Accounting module. The following list is indicative only, and is subject to change.

Electives: (brief list, details on following pages)

Accounting Modules:

IB9AH0:	Accounting Information & Markets	AIM
IB9FT0:	Auditing & Assurance	AA
IB9120:	Corporate Governance & Financial Reporting	CG

Finance/Behavioural Sciences:

IB9Y20:	Behavioural Finance	BF
IB9X70:	Derivative Securities	DS
IB95R0:	Financial Risk Management	FRM
IB9X80:	Fixed Income & Credit Risk	FICR
IB9Y40:	International Financial Management	IFM
IB9AG0:	Judgement & Decision Making	JDM
IB9Y30:	Mergers and Acquisitions & Corporate Control	MACC
IB9E0:	Practice of Investment Management	POIM

IB9AH0:	Accounting Information & Markets	AIM
	<i>Students will develop their understanding of the relationship between accounting information and market prices and the nature of market efficiency. The empirical analysis of accounting and stock market data, and the ability to interpret and critically review published academic research in the cognate domain of this elective and firm accounting narratives. Topics may include:</i>	
Illustrative Syllabus:	(indicative, may be subject to minor changes) Accounting numbers and the prediction of stock market returns Behavioural finance and the information processing of accounting numbers Asset pricing module and event study methodology Sophisticated and unsophisticated investors Based stock market anomalies Predicting market returns	
Assessment:	2-hour Exam (Term 3: April/May) counting for 70% of the module mark, Group Assessment (1,500 words) 20% and, Group presentation (10%).	

IB9FT0:	Auditing & Assurance	AA
	<i>The aim of the module is to enable students to understand the social importance, nature and objectives of the audit function. They will also appreciate the issues and complexities of the audit process and the principles of audit practice. Topics may include:</i>	
Illustrative Syllabus:	(indicative, may be subject to minor changes) The role of the external auditor: An introduction to, and evaluation of, the ethical and regulatory framework in which audit operates The process of an external audit: initial client and engagement acceptance, the method of planning an audit and performing key audit techniques Fraud and money laundering issues The completion stage of the audit: evaluation of going concern, the auditor's report and types of audit reports Professional scepticism and its links to the use of professional judgement - Current issues in audit risk and audit quality Other services offered by professional firms and potential links with ethical principles.	
Assessment:	2-hour Exam (Term 3: April/May) counting for 75% of the module mark, Individual Assignment (1,500 words) 25%	

IB9Y20:	Behavioural Finance	BF
	<i>The module primarily concentrates on the psychological motivations that underlie financial decisions and their aggregate implications. In some cases, these motivations could be contrasted with ethical practice with regard to stakeholders and the financial system as a whole. Topics covered include:</i>	
Illustrative Syllabus:	(indicative, may be subject to minor changes)	
	Introduction to Behavioural Finance	
	Decision heuristics	
	Limits to Arbitrage	
	Style investing	
	Prospect theory	
	Ambiguity	
	Investor overconfidence	
	Investor sentiment	
Assessment:	2-hour Exam in Term 3 (April/May) counting for 80% of the module mark, and Individual essay (1,500 words) 20%.	

IB9120: **Corporate Governance & Financial Reporting**

CG

The aim of the module is to discuss the position of governance in corporate contracting and how it helps align the actions of managers with the interests of shareholders. Topics covered may include:

- Illustrative (indicative, may be subject to minor changes)
- Syllabus: The position of Corporate Governance within corporate contracting
 Does “good” Governance really exist?
 Understand the reasons why Corporate Governance systems are different across countries
 The role of the board of directors, its responsibilities and its importance for firm decision-making
 Board structure, its determinants and its consequences for the firm
 The importance of information transparency for board structure and different mechanisms for improving it
 Purposes, Components and International Differences in Executive Pay
 The design of Executive Pay Packages
 Short-term and Long-term Incentives and the notion of “Inside Debt”
 Stock Options and Firm Risk
 The Use of Performance Measures for evaluating managers
 The use of accounting information for assessing managerial performance
 Pay Incentives and Earnings Management
 The role of Compensation Consultants for Executive Pay
 Institutional investors and their importance for firm-decision making and corporate governance
 The theories of “voice” and “exit” on the role of Institutional investors for corporate governance
 Institutional investors and informational transparency
 The importance of investor horizons for corporate governance
 The importance of shareholder voting for corporate governance (including Say-on-Pay)
 Debt contracting, information asymmetries between borrowers and lenders and their importance for firm-decision making
- Assessment: 1.5-hour **Exam** (Term 3: April/May) counting for 70% of the module mark, **individual assignment** (2,000 words) counting for 20% of the module mark and **Group presentation** (10%).

IB9X70: **Derivative Securities**
DS

This module will develop an in-depth understanding of the characteristics of different classes of derivative securities such as forwards and futures, swaps and options; the markets in which these securities are traded; their potential use as instruments for managing risk; methods for valuing these securities; and the application of these methods in other areas of finance. Topics covered include:

Illustrative (indicative, may be subject to minor changes)

Syllabus: Forwards and Futures Markets
 Futures Pricing: Using Futures to Hedge Risks
 Forward Rates and Interest Rate Derivatives
 Options Markets
 Strategies Involving Options
 Option Pricing in the Binomial Model
 Black-Scholes Pricing Formula and the “Greeks”
 Measuring and Managing the Risk of Options Portfolios.

Assessment: 2-hour **Exam** (Term 3: April/May) counting for 80% of the module mark, and **Class Test** (20%).

 IB95R0: **Financial Risk Management**
FRM

The module is designed to introduce students to the area of risk management applied to finance. It uses knowledge from quantitative methods, hedging, and financial theory in general, acquired in Term 1. Topics covered include:

Illustrative (indicative, may be subject to minor changes)

Syllabus: Financial Risk Management regulatory framework: (Basel 11 and Solvency II)
 Risk management and risk measurement
 Market risk
 Credit risk
 Operational risk
 Firm level risk management: economic capital, capital allocation, RAROC

Assessment: 2-hour **Exam** (Term 3: April/May) counting for 80% of the module mark, and **Class Test** (20%).

IB9X80: Fixed Income & Credit Risk FICR

This module will help students get to grips with the tools for the assessment and management of fixed income and credit risk. Topics covered include:

Illustrative (indicative, may be subject to minor changes)
 Syllabus: Interest-rate and credit risk markets
 Common interest-rate and credit instruments
 The yield curve and its use in risk management
 Modelling the yield curve
 Fundamental fixed income and credit models
 Interest rate risk management
 Credit risk management

Assessment: 1.5-hour **Exam** (Term 3: April/May) counting for 70% of the module mark, **Class Test** (10%), and **Group Project** (20%).

IB9Y40: International Financial Management IFM

This module aims to extend students' knowledge and understanding of the fundamental concepts of international finance, emphasizing the operation of the spot and forward foreign exchange markets. It will provide first-hand experience with forex markets via empirical data and trading contest, and develop students' critical reasoning skills in the context of international financial risk management. Topics covered include:

Illustrative (indicative, may be subject to minor changes)
 Syllabus: International Parity Conditions
 Exchange Rates and Inflation
 Balance of Payments
 Exchange Rate Determination and Forecasting
 International Capital Markets.

Assessment: 2-hour **Exam** (Term 3: April/May) counting for 80% of the module mark **Group Project** (20%)

 IB9AG0: **Judgement & Decision Making** **JDM**

This module outlines the key principles and phenomena underlying human judgement and decision making. It aims to encourage students to see how the insights from this work can (i) Understand the origins of rational and irrationality in financial decision makers, and financial markets. (ii) Help improve their own financial decision-making, judgements and predictions, by providing an awareness of biases and pitfalls. Provide a broader understanding of decision-making throughout the finance industry, including strategic and managerial decision-making. Topics covered include:

Illustrative (indicative, may be subject to minor changes)

Syllabus: The Nature of Rationality
 Theoretical Perspective on Human Judgement
 The Psychology of Value and Utility
 Decision-Making under Certainty
 Decision-Making under Risk Judgement
 Confidence and Expertise
 Decision-Making in Markets, Groups and Society

Assessment: **Individual Essay** (3,000 words) counting for 80% of the module mark, and **Group Presentation** (20%).

 IB9Y30: **Mergers and Acquisitions & Corporate Control** **MACC**

This module is designed to introduce students to the basic issues in mergers and acquisitions from corporate finance point of view. The module will be based on the main research papers in the field. Topics covered will include:

Illustrative (indicative, may be subject to minor changes)

Syllabus: Value Creation in Takeovers
 Abnormal Returns
 Merger Waves:
 Main Characteristics of Individual Waves, and
 Theoretical Explanations for Cyclical Patterns
 Private Equity
 Ownership Structure:
 Costs and Benefits of Concentrated versus Dispersed Ownership,
 Empirical Evidence, and
 Law and Finance (Shareholder Protection)
 Modelling the Takeover Process

Assessment: 1.5-hour **Exam** (Term 3: April/May) counting for 60% of the module mark, and **2 Group Assignments** plus **3 Weekly Coursework** (altogether 40%).

IB9ELO: Practice of Investment Management**POIM**

This module aims to give students a realistic experience of the responsibilities involved in managing money for clients. It provides an introduction to practical investment management techniques, building on the work of the modules of the first term and requires that each student run a simulated portfolio on a real portfolio management system. Concurrently, it encourages students to engage with current topics in the financial news and understand what effect such news may have for the securities they manage. This module provides continuity, context and a contemporary angle. Topics covered include:

Illustrative (indicative, may be subject to minor changes)

Syllabus: How to Structure a Beta Portfolio

Risk Management from a Practical Perspective:

Stop Loss Management,

Macro Risk, and

Value-at-Risk (VaR) Analysis

Pre and Post Transaction Cost Analysis: Breaking Even in the Real World

Assessment: **Individual Coursework** counting for 60% of the module mark, and **Group Project** (40%).