Valid from 2024.HS

Module description: Financial Instruments & Portfolio Theory

Module Code	w.BA.XX.3FIPT-FLEX.XX
ECTS Credits	6
Language of Instruction/Examination	English
Module Description	Students are introduced to the core concepts of finance. They understand and calculate the risk and return profile of different financial instruments and portfolios. They know the importance of diversification and construct efficient portfolios. Additionally, they gain comprehensive knowledge of essential ESG (environmental, social, and governance) standards and the fundamental principles of sustainable investing.
Organizational Unit	IWA Ltg.
Module Coordinator	Martin Schnauss
Deputy Module Coordinator	Patrick Hauf
Program and Specialization	• Business Administration - Specialization in Banking and Finance (FLEX)
Legal Framework	Academic Regulations BSc dated 29.01.2009, for the degree programs in Business Administration, International Management, Business Information Technology, Business Law, Business Law and Applied Law, first adopted on 12.05.2009
Module Category	**Module Type** Compulsory **Program Phase** Main Study Period
Prerequisite Knowledge	• w.BA.XX.2Math1.XX • w.BA.XX.2Math2.XX • w.BA.XX.2Stat.XX • w.BA.XX.2BF.XX
Contribution to Program Learning Objectives (by the concerned Module)	• Professional Competence • Methodological Competence • Social Competence • Self-Competence
Contribution to Program Learning Objectives	**Professional Competence** • Knowing and Understanding Content of Theoretical and Practical Relevance • Apply, Analyze, and Synthesize Content of Theoretical and Practical Relevance • Evaluate Content of Theoretical and Practical Relevance **Methodological Competence** • Problem-Solving & Critical Thinking • Scientific Methodology • Work Methods, Techniques, and Procedures • Information Literacy • Creativity & Innovation **Social Competence** • Written Communication • Oral Communication • Teamwork & Conflict Management • Intercultural Insight & Ability to Change Perspective **Self-Competence** • Self-Management & Self-Reflection • Ethical & Social Responsibility • Learning & Change

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Module Learning Objectives

Students...
- know the concept of the risk and return of investments and the mechanism of diversification.
- understand the formation of prices in an equilibrium model of the capital market.
- know the concept of the time value of money.
- understand the relationship between the structure of interest rates and bond prices.
- are able to name the main drivers of option prices.
- gain an insight into the characteristics of options and futures markets.
- understand the link between spot and futures prices.
- calculate the risk and return of individual assets and portfolios.
- form portfolios on the efficient frontier in a risk/return diagram.
- calculate the fair price of risky assets using the capital asset pricing model.
- compute prices of bonds, options, and futures.
- construct appropriate option strategies adapted for given market views.
- apply risk-adjusted performance measures to assess the quality of a portfolio.
- evaluate assets using the security market line (SML) and Jensen's alpha.
- compare an asset's market price with its fair value and suggest appropriate action.
- communicate the risk/return characteristics of a portfolio or fund to a potential client.
- implement the core concepts and results of the module in EXCEL (guided self-study).
- acquire comprehensive knowledge of essential ESG (environmental, social, and governance) standards in finance and understand the fundamental principles of sustainable investing.

Module Content

- Risk and return of investments
- Efficient diversification, minimum variance, and optimum portfolio
- The capital asset pricing model, CML, and SML
- Risk and return of bonds
- Characteristics and prices of options and futures
- ESG standards and sustainable investing principles in finance

Links to other modules

This module is linked to the following modules:
- w.BA.XX.2CFRM.XX
- w.BA.XX.2WMC.XX
- w.BA.XX.2AIM.XX
- w.BA.XX.2BF.XX
- w.BA.XX.2QMeth-en.XX
- w.BA.XX.2Stat-en.XX
- w.BA.XX.2Math2-en.XX
- w.BA.XX.2Math1-en.XX

Digital Learning Resources

- Reader
- Teaching Materials
- Practice and Application Exercises (with Key)
- Case Studies (with Key)

Methods of Instruction

- Lecture
- Case Studies
- Exercises
- Interactive Instruction

Social Settings Used:
- Pair Work
- Individual Work

Type of Instruction

	Classroom Instruction	Guided Self-Study	Autonomous Self-Study
Large Class	24 h	88 h	
Small Class	-	-	
Group Instruction	-	-	
Practical Work	-	-	
Seminar	-	-	
Total	**24 h**	**88 h**	**68 h**

Module description: Financial Instruments & Portfolio Theory

Performance Assessment

End-of-module exam	Form	Length (min.)	Weighting
Written exam	Specified documentation	60	100.00
Permitted Resources	Spec. calculator acc. to leaflet "Utilities"	With dictionary	

Others	Assessment	Format	Length (min.)	Weighting
-	-	-	-	-

Classroom Attendance Requirement

None

Compulsory Reading

- Kane, A. & Bodi, Z. (2013). Essentials of Investment. 9 Edition. New York: McGraw-Hill/Irwin. ISBN 978-0-07-714824-9. (A Kindle version is sufficient, Any edition after the 9th is also acceptable (the latest is the 12th edition from 2021)).

Recommended Reading

- CFA-Institute (2019). 11th Hour Guide for Level I Cfa Exam. 11 Edition. New Jersey: Wiley. ISBN 978-1119531081. (Older versions are also acceptable. The overlap with CFA Level I is substantial).

Comments

All editions of Bodi & Kane after the 8th edition are fine.