

The Hebrew University of Jerusalem

Syllabus

SELECTED TOPICS IN FINANCE- SEMINAR - 55959

Last update 07-12-2014

HU Credits: 4

Degree/Cycle: 2nd degree (Master)

Responsible Department: Business School

Academic year: 2

Semester: Yearly

Teaching Languages: Hebrew

Campus: Mt. Scopus

Course/Module Coordinator: Prof Haim Levy

Coordinator Email: mshlevy@mscc.huji.ac.il

Coordinator Office Hours: By appointment

Teaching Staff:

Prof Haim Levy

Course/Module description:

Classic and advanced papers in Finance.

Course/Module aims:

Advanced knowledge in Finance.

Learning outcomes - On successful completion of this module, students should be able to:

Knowledge in financial research.

Attendance requirements(%):

100

Teaching arrangement and method of instruction: Frontal

Course/Module Content:

- a) Cost of Capital and Capital Structure.
- b) The Mean -Variance and the CAPM.
- c) Expected Utility, Paradoxes, Risk and Prospect Ordering.
- d) Behavioral Economics (Psychology and choices)
- e) Options Valuation.

Required Reading:

- a) Cost of Capital and Capital Structure
- 1. Hirshleifer, J. "on the theory of optimal investment decision" *Journal of Political Economy*, August 1958, pp.329-352.
- 2. (NOBEL BOTH OF THEM) Modigliani, F., and Miller, M.H., "The cost of capital, corporation finance, and the theory of investment", *The American Economic Review*, June 1958, pp.261-297.
- 3. Modigliani, F., and Miller, M.H., "Corporate income tax and the cost of capital: A correction", *The American Economic Review*, June 1963, pp. 433-443.
- 4. Heins, A.J. and Sprenkle, C.M. "A comment of the Modigliani- Miller Cost of capital thesis", *The American Economic Review*, September 1969, pp. 590-592.
- 5. Modigliani, F., and Miller, M.H., "Reply to Heins and Sprenkle", *The American Economic Review*, September 1969, pp. 592-595.
- 6. Miller, M.H., "Debt and Taxes", *The Journal of Finance*, 1977, pp.261-275.

b) *The Mean –Variance and the CAPM*

7. (NOBEL) Markowitz, H.M., "Portfolio Selection" *Journal of Finance* ,1952, pp.77-91.
8. (NOBEL) Sharp, W.F., "Capital Asset Prices: A theory of Market Equilibrium under Conditions of Risk" *Journal of Finance*, September 1964, pp. 425-442.
9. (Fama NOBEL) Fama.E.F., and French,K.R., "The cross section of expected stock returns" , *The journal of Finance*, June 1992,pp.427-465.
10. Roll, R., "A critique of the asset pricing theory's test: part 1: past and potential testability of the theory" *journal of Financial Economics*, March 1977, pp.129-176.
11. Levy, H., "Equilibrium in an imperfect market: constraint on the number of securities in the portfolio" *American Economic Review*, September 1978, pp.643-658.
12. Levy, H., and P.A. Samuelson (Samuelson NOBEL) "The capital asset pricing model with diverse holding periods" *Management Science*, Nov.1992, pp. 1529-1542.

c) *Expected Utility, Paradoxes, Risk and Prospect Ordering*

13. Hanoch, G., and Levy, H., "The Efficiency Analysis of Choices Involving Risk" *Review of Economic Studies*, 1969, pp.335-346.
14. Rothschild, M and J. Stiglitz, "Increasing Risk: A Definition" *Journal of Economic Theory*, 1970, pp.305-360.
15. Levy, H., and H. Markowitz, "Approximating expected utility by a function of mean-variance" *American Economic Review*, 1979, pp.308-317.
16. Leshno, M. and H. Levy, "Preferred by "all" and preferred by "most" decision makers: almost stochastic dominance" *Management Science*, 2002, pp.

d. *Behavioral Economics (Psychology and choices)*

17. (NOBEL) Kahneman, D., and A. Tversky, "Prospect theory of decision under risk" *Econometrica*, 1979, pp.263-291.
18. Tversky A. and D. Kahneman, "Advances in prospect theory: Cumulative representation of uncertainty", *Journal of Risk and Uncertainty*, 1992, pp.297-323.
19. Levy, M. and H. Levy, "Prospect theory: Much ado about nothing?" *Management Science*, 2002, pp.1334-1349.
20. Benarzi, S., and R. Thaler, "Naïve diversification strategies in retirement saving plans" *American Economic Review*, 2001, pp.79-98.

e) *Options Valuation*

21. Black, F. and M. Scholes (NOBEL) "The pricing of Option and Corporate Liabilities" *Journal of Political Economy*, May-June 1973, pp.649-653.
22. H. Levy and M. Levy, *OPTION PRICING WITH THE LOGISTIC RETURN Distribution* , 2014 , Working Paper (will be given to the students)

Additional Reading Material:

Not relevant.

Course/Module evaluation:

End of year written/oral examination 0 %

Presentation 0 %

Participation in Tutorials 0 %

Project work 100 %

Assignments 0 %

Reports 0 %

Research project 0 %

Quizzes 0 %

Other 0 %

Additional information:

Not relevant.