



RANEPA
THE RUSSIAN PRESIDENTIAL ACADEMY
OF NATIONAL ECONOMY
AND PUBLIC ADMINISTRATION



MASTER OF SCIENCE IN GLOBAL FINANCE

COURSE HANDBOOK



2014/2015, MOSCOW

Dear Colleague

Welcome to MSc in Global Finance program!

Master of Science in Global Finance degree program is designed to prepare professionals of new generation in Finance and Risk management.

We are living in the period of globalization and rapidly changing business environment. New challenges require professionals with highly advanced knowledge in the field of finance, economics and risk management.

With MSc in Global Finance our you can develop and enhance your decision-making skills and gain hands-on learning experience that will position you to advance into a leadership position as a consultant, financial analyst or risk manager at international job market.

MSc in Global Finance program incorporates curriculum of

- CFA ® (Chartered Financial Analyst) and
- FMR ® (Financial Risk Management) GARP

professional qualifications programs. The most renowned and accredited qualifications among financial and risk professionals worldwide. The Program offers a unique blend of Master's degree courses, trainings and preparation for the CAF ® and FRM ® qualifying exams.

The program is designed in cooperation with Ernst & Young Academy of Business, the leader in providing professional education and training services worldwide for over 20 years.

We are located in Moscow but our working language is English.

Our professors and instructors come from the best Western business-schools, from the international organizations and MNCs.

The handbook is designed to provide you with a variety of information:

- Program curriculum
- Assessment and grading policy and rules
- Modules syllabi

We wish you a rewarding and enjoyable two years as a student of MSc in Global Finance,
RANEPA.

Anush Hakobyan, Program Director

® Is a registered trademark of CFA Institute.

® Is a registered trademark of GARP, not-for-profit organization and the only globally recognized membership association for risk managers.

PROGRAM CURRICULUM

MSc in Global Finance is a full-time graduate program designed for two years, 120 ECTS.

In the first year students will gain a profound knowledge of finance as well as quantitative methods and participate in the trainings preparing for CFA® level 1 exam. The preparation for CFA® Level 1 exam is provided by experienced in CFA® training EY professionals.

In the second year students will focus on one of the following areas of specialization:

- Risk management (incorporates requirements for Financial Risk Manager® GARP)
- Corporate Finance (incorporates CFA® level 2, level 3)
- Investment management (incorporates CFA® level 2, level3).

All our classrooms are equipped with the modern media-technologies. We provide classes and trainings in our Bloomberg Laboratory for all three specializations.

YEAR 1	ECTS
Financial Reporting and Analysis. IFRS & US GAAP	6
Corporate Finance	6
Quantitative Methods for Finance: Applied Statistics and Econometrics	6+6
Macroeconomics	6
Microeconomics	6
Asset Management	6
Alternative Investments	6
Fixed Income and derivatives	6
Ethics and Professional Standards	6
TOTAL	60

YEAR 2. Specialization : Risk management	ECTS
International Financial Markets	3
Bank Management and Analysis	2
International Banking Regulations: Basel II, Basel II	2
Credit Risk and Credit Derivatives	6
Liquidity Risk Management	3
Market Risk Management	2
Operational Risk in Banking and Finance	2
Integrated Risk management	2
Investment projects valuation, financial modelling and forecasting	2
TOTAL	24
YEAR 2.FINAL SEMESTER - MASTER'S DISSERTATION	30

YEAR 2. Specializations: Investment Management & Corporate Finance	ECTS
International Financial Markets	3
Strategic Financial Management	6
Mergers and Acquisitions	2
Fundamental and Technical Analysis	2
Behavioral Economics and Finance	3
Investment projects valuation, financial modelling and forecasting	2
Financial Risk Management	6
TOTAL	24
YEAR 2. FINAL SEMESTER - MASTER'S DISSERTATION	30

The remaining 6 credits may be obtained by attending lectures designed for the other specializations or from the listed below modules. Also some of the credits may be obtained in a student exchange program. This will allow students to follow a program that corresponds optimally to their needs.

ELECTIVES	ECTS
Negotiation skills	2
Project management	2
Global Economic Policy	2
Anatomy of Financial and Economic Crises	2
Managerial Accounting	2

Master's Dissertation

During the last, 4th semester students participate in research seminars, that will help them to structure their research ideas and to learn how to write critical literature review, how to collect data and make references. The output should be their Dissertation proposal.

The thesis is an academic work that synthesizes the master's studies. It gives the students their possibility to demonstrate level of knowledge, that he or she is able to structure and compose with independence a research project of academic and useful nature. During their writing of the thesis, the students must prove that they understood and assimilated the knowledge taught during the program

The master's thesis being essentially a demonstration of academic maturity, it must satisfy a certain number of criteria. The student must demonstrate his or her ability to

- (1) understand and summarize the literature associated with his research,
- (2) to identify and to describe the research topic that must by the way be useful and accessible,
- (3) to define and describe the precise objectives for his research,
- (4) to conceive a research project in such a manner that it may be correctly answered,
- (5) to select and apply the right research methodology,
- (6) to analyse empirical data and to draw the right conclusions and recommendations.

In June students should submit their Master's dissertations and defend them in public defense. This will be followed by a reward of 30 ECTS.

Materials submitted must represent the student's own efforts and must be his/her own work. Brief quotations from the published or unpublished works of another person may be used, but must always be attributed. Extensive or unacknowledged quotations, close paraphrasing or copying from the works of another person without attribution constitutes plagiarism, which is an examination offence.

Assessment

Assignments have a triple purpose:

- They are part of learning process, where you try your hand at applying the concepts and ideas of a course to solve a particular problem.
- They allow lecturers to assess your understanding of the subject area.
- They allow you use concepts to analyze problems and develop solutions

To achieve the above aims, a range of assessment techniques reflecting the diversity and depth of the curriculum will be used across modules as appropriate. Some assessments are work-based, the others are based on case studies. There are group as well as individual assignments. Most of the assignments are based entirely upon written work but there are also the others that involve class presentation. Group assessments have been designed to encourage team participation and help develop team working skills.

Some modules require mid-term exams and the final grade usually includes results of class participation , mid-term results, homework assignments and final grade .

Assignment submission

All assignments should be submitted according to the Instructor's requirements. Late submissions are not welcomed. Instructor may apply penalties in the form of lower grades for the assignments.

Deadlines of the assignments are stipulated on the assignments.

Academic Misconduct

Academic misconduct is defined as any attempt to gain unfair advantage in assessment and examinations. The presentation by any student of another person's work as his own is a plagiarism and an example of academic misconduct. Academic honesty is non- negotiable. All assignments submitted in fulfillment of course requirements must be the student's own work. Plagiarism and/or any other form of academic dishonesty will not be tolerated and will result in a grade of zero on the assignment.

Grading and Assessment Criteria

All assessments are given a numeric value out of 100. Assessment criteria are specified below.

A+	5 (excellent)	>94
A		84-94
A-		80-84
B+	4 (good)	77-79
B		73-76
B-		70-72
C+	3 (fair)	60 - 69
C		57 - 59
C-		50 - 56
F	2 (fail)	0-49

1 Course : Financial Reporting and Analysis. IFRS & US GAAP

Instructor: Konstantin Orlov, ACCA

E-mail: ko@natico-solutions.com

2 Course Description:

Financial Reporting & Analysis is one of the core courses of CFA program focusing student's attention on qualitative gathering and proper interpretation of financial information for the purposes of management and investment decisions. Understanding financial reporting and analysis approach gives a clue for management decisions and improves confidence while strategic planning process. Consistent application of standards and techniques reviewed during the course helps modern organizations stay in line with statutory and public requirements on accuracy and safety information.

The course aims to introduce to students:

- principals, forms, statements, standards, mechanics, quality information assurance of financial reporting process
- role in investment decision making process, main techniques and approaches of financial analysis.

At the completion of the course students will be able to

Prerequisite:

3 Course Objectives:

Upon successful completion of the course, the student will:
be able to

- present the basic concepts and methods of financial reporting
- demonstrate clear understanding of relationships among financial statements
- calculate and interpret the ratios used in financial analysis
- explain the role of financial reporting in investment decision making process.
- identify and explain the major difference among various financial standard
- identify areas of risk and provide management team with sounded solutions based on company's financial performance.
- demonstrate the appropriate level of competence in constructing and analyzing financial statements written expression as demanded by the discipline and as expected of a graduate student

5 Instructional Material:

Required:

- **L1B3** - CFA, Level 1, Book 3: FINANCIAL REPORTING AND ANALYSIS, Kaplan/Schweser
- **BA**-Business analysis and valuation: Using financial Statements (4th ed) Paepu, K., & Healy, P.Cengage Learning (2008)
- **L2B2** - CFA, Level 2, Book 2: FINANCIAL REPORTING AND ANALYSIS, Kaplan/Schweser

7 Course Requirements:

- Self Preparation: 70%:
 - Papers Reading 50%
 - On-line/Handout tests 15%
 - On line Q&A, professional chat 5%
- In-course Preparation (48 hrs): 30%:
 - Cass Work 25%
 - Tests and Exams 5%

Internal exam requirements:

Final exam: 40 points, Midterm exam: 20 points, In-class quizzes: 10 points, Class participation (discussions & team work): 10 points, Home work and assignments: 20 points.

Course schedule:

DAY	PART	TOPICS	READING ASSIGNED
	1. Introduction to Financial Statements	<ul style="list-style-type: none"> • Introduction to Financial Statements • Understanding Income Statement 	L1B3: Ch 29, Ch 47, BA
	2. Introduction to Financial Statements	<ul style="list-style-type: none"> • Understanding Balance Sheet and Cash Flow Statement 	L1B3: Ch 33, Ch 34, BA
	3. Financial Reporting	<ul style="list-style-type: none"> • Reporting Mechanics • Reporting Statements 	L1B3: Ch 30, Ch 31, BA
	4. Asset Management	<ul style="list-style-type: none"> • Inventories • Long-Lived assets 	L1B3: Ch 36, Ch 37, BA
	5. Debt Management and Taxes	<ul style="list-style-type: none"> • Income Taxes • Long-Term Liabilities and Leses 	L1B3: Ch 36, Ch 37, BA
	6. Financial Analysis	<ul style="list-style-type: none"> • Analysis Techniques • Financial Statements Analysis 	L1B3: Ch 35, Ch 42, BA L2B2: Ch 26
	MIDTERM EXAM		

Course schedule:

	7. Financial Reporting Quality	<ul style="list-style-type: none"> • Accounting Warnings • Quality Evaluation 	L1B3: Ch 40 L2B2: Ch 25
	8. Financial Reporting Quality	<ul style="list-style-type: none"> • Accounting Shenanigans • International Standards 	L1B3: Ch 41 Ch 43, BA
	9. Financial Reporting Quality	<ul style="list-style-type: none"> • Earning Quality Issues 	L2B2: Ch 2 BA 5
	10. Special Topics in financial Reporting	<ul style="list-style-type: none"> • Intercorporate Investments 	L2B2: Ch 21 BA
	11. Special Topics in financial Reporting	<ul style="list-style-type: none"> • Post Employment Share Based compensations 	L2B2: Ch 22 BA
	12. Special Topics in financial Reporting	<ul style="list-style-type: none"> • Multinational Operations 	L2B2: Ch 23
	FINAL EXAM		

1 Course: Corporate Finance

Instructor: Professor Armen Hovakimian; <http://faculty.baruch.cuny.edu/ahovakimian/>

E-mail: hovakhovak@gmail.com

2 Course Description:

This course offers an introduction to corporate finance, with a strong emphasis on fundamental principles. Topics include the time value of money, capital budgeting, capital structure, dividend policy, external financing, as well as bond, stock, and company valuation.

Course Structure and Policies

Class sessions:	Class sessions combine <ul style="list-style-type: none">• Topic lectures• Problem solving• In-class assignments (group and/or individual)• Class attendance is compulsory
Attendance:	
Student participation:	Student participation is an important component of learning in the course and includes the following: <ul style="list-style-type: none">• Participation in class discussions• Participation in group assignments
Homework:	The students are expected to have the recommended readings and problems completed before the class. These problems will not be collected or graded. Solutions to the problems will be posted on the course Blackboard site. However, the students are urged to solve the problems on their own. The only way to master the necessary skills in this course is through practice.
Course notes:	Available as part of the course pack.
Calculators:	A financial calculator that can handle time value of money calculations with uneven cash flows is required (e.g., Texas Instruments BAII Plus).

3 Grading Policy

	Weight	Due
Attendance	10%	
Participation	10%	
In-class assignments	20%	
Midterm exam	30%	
Final assignment	30%	

4 Instructional Material:

Required: Corporate Finance, Ross, Westerfield, and Jaffe, McGraw-Hill, 9th edition, 2010

Course notes: Available as part of the course pack.

5 Course Schedule

#	Topic	RWJ Chapter	Timing (approx.)	Minicases
1.	Introduction	1, 2		
2.	Discounted Cash Flow Valuation	4		
3.	Investment Rules	5		Bullock gold mining q. 1-2
4.	Making Capital Investment Decisions	6		Goodweek tires
5.	Bond Valuation	8		East coast yacht q. 1-4
6.	Stock Valuation	9		Ragan engines q1-2
	Midterm			
7.	Cost of Capital	10, 11, 13		Goff computer Q1-6
8.	Long-Term Financing	15		
9.	Capital structure policy	16		Stephenson real estate Q1-5
10.	Valuation for a Levered Firm	18		
11.	Dividends	19		
	Final assignment			Cheek products (ch. 18)

1 Course : Applied Statistics

Instructor: Dorota Kowalczyk
E-mail: dgjkowalczyk@gmail.com

2 Course Description:

Applied Statistics is one of the courses preparing for the CFA exam. The course aims to introduce students to statistical reasoning, including sampling, elementary probability, statistical inference, and data analysis. The main purposes of this courses is to study the elements of statistical analysis and probability theory that are used throughout the quantitative analysis of the CFA Program curriculum. Whenever possible, the course is elementary and presents concepts and techniques in way that benefits students of all mathematical backgrounds. Fundamental concepts and methods of statistics are introduced with emphasis on interpretation of statistical arguments and application to real-world problems.

Prerequisite: Working knowledge of mathematics.

3 Course Objectives:

Upon successful completion of the course, the student will:

- be able to present the basic concepts and methods of statistical reasoning and data analysis in the context of decision-making
- develop computational skills in fundamental statistical analysis
- acquire a working knowledge of statistical techniques in SPSS
- demonstrate the appropriate level of competence regarding the fundamentals of statistics, probability theory and statistical inference in investment applications (CFA exam preparation)
- demonstrate the appropriate level of competence in written expression as demanded by the discipline and as expected of a graduate student

4 Instructional Material:

Required:

BS = Business Statistics: A Decision-Making Approach, David F. Groebner, Patrick W. Shannon, Phillip C. Fry & Kent D. Smith, 8th Edition, Prentice Hall, 2011

QM = Quantitative Methods for Investment Analysis, Richard A. DeFusco, Dennis W McLeavey, Jerald E Pinto & David E Runkle, 2nd Edition

Supplemental:

INV = Investments, Zvi Bodie, Alex Kane and Alan J. Marcus, McGraw-Hill International Editions, Financial Series, Fourth Edition, 1999. (selected chapters).

5 Course Schedule

TIME	PART	TOPICS	ASSIGNMENT DUE	READING ASSIGNED
	A. Statistical concepts	A.1 Introduction to data description and collection		BS: Ch 1, BS: Ch 2, QM: Ch 3
	A. Statistical concepts	A.2 Describing data using numerical measures		BS: Ch 3, QM: Ch 3
	B. Probability concepts	B.1 Introduction to probability		BS: Ch 4, QM: Ch 4
	C. Probability concepts and market returns	C.1 Extensions and introduction to SPSS.		BS: Ch 1 - Ch 4, QM: Ch 3 – Ch 4
	D. Common probability distributions	D.1 Discrete probability distributions		BS: Ch 5, QM: Ch 5
	D. Common probability distributions	D.2 Introduction to continuous probability distributions		BS: Ch 6, QM: Ch 5
	E. Probability concepts and investment	E.1 Extensions, review and SPSS session		BS: Ch 5 - Ch 6, QM: Ch 5
	F. Sampling and estimation	F.1 Introduction to Sampling distributions		BS: Ch 7, QM: Ch 6
	F. Sampling and estimation	F.2 Estimating single population parameters		BS: Ch 8, QM: Ch 6
MIDTERM EXAM				
	G. Hypothesis testing	G.1 Introduction to hypothesis testing		BS: Ch 9, QM: Ch 7
	G. Hypothesis testing	G.2 Estimation and hypothesis testing for two population parameters		BS: Ch 10, QM: Ch 7
	G. Hypothesis testing	G.3 Hypothesis Tests and Estimation for Population Variances		BS: Ch 11, QM: Ch 7
	H. Additional topics	H.1 Analysis of Variance		BS: Ch 12
	H. Additional topics	H.2 Goodness-of-Fit Tests and Contingency Analysis		BS: Ch 13
	H. Additional topics	H.3 Introduction to Nonparametric Statistics		BS: Ch 17 QM: Ch 7
FINAL EXAM				

1 Course: Macroeconomics

Instructor: Hakobyan A.

E-mail: akopyan-aa@ranepa.ru

2 Course Description:

The course designed to explain the macroeconomic environment and macroeconomic policies in the light of extensive globalization of financial markets. It examines both long-run and short-run macroeconomic issues. The course provides a rigorous introduction to the fundamentals of macroeconomics and currency markets, and, further develops to the discussion of monetary and fiscal policy of governments aiming to mitigate the severity of business cycles fluctuations. It refers and discusses reasons and consequences of financial and economic crises; applies comparative analysis of different countries' policies and aims to provide the global picture of the flows of goods and services, physical and financial capitals and how the payment system supporting trade and investment depends on world currency markets. Students will learn how macro data should be interpreted in order to have an informed opinion on investments and understand how recent macro developments and geopolitics shape the financial and investment world.

The course is essential for further understanding of Asset Management and Investment relative courses.

Prerequisite: Microeconomics, Calculus.

3 Course Objectives:

Upon successful completion of the course, the student will:

be able to calculate and explain different macroeconomic variables in real and nominal terms ; describe the sources, measurement and sustainability of economic growth for different countries; distinguish input growth and growth of total factor productivity as components of economic growth; income inequality; explain the relationship between monetary policy and economic growth, interest and exchange rates; determine expansionary and contractionary monetary policy; describe the roles and objective of fiscal policy; advantages and disadvantages of fiscal policy tools; describe arguments for and against expansionary or contractionary fiscal policy and the interaction between fiscal and monetary policy of the country; describe benefits and cost of international trade; explain the Ricardian and Hecksher-Ohlin models of trade; compare types of trade and capital restrictions and their economic implications; describe the balance of payments accounts, "twins" deficit and its consequences; describe functions and objectives of IMF, WB, WTO; explain the impact of different exchange rate regimes and their impact on on countries' international trade and capital flows and etc.

4 Instructional Material:

Required:

N. Gregory Mankiw, *Macroeconomics*

P. Krugman, R. Wells, *Macroeconomics*

Andrew B. Abel, *Ben S. Bernanke*, *Macroeconomics*

Supplemental:

Frederic S. *Mishkin*, *Economics of Money, Banking, and Financial Markets*

Usha Nair-Reichert et al. , *International Trade and Capital Flows*

1 Course: Microeconomics

Instructor: Professor Silvester van Koten

E-mail:slvstr@gmail.com

2 Course Description:

The course covers the central topics in Economics, such as price determination, by examining the demand and supply responses of consumers and firms acting at different type of markets ; the Consumer theory, which describes the behavior and choice of consumers, that maximize their utility or well-being out of affordable “basket” of goods, from which the Demand curve is derived; the Firm theory, that describes how firms choose the combination of inputs and outputs to maximize their profits subject to the constraints imposed by their technology, from which the Supply curve is derived; the analysis of different types of markets (competitive, monopolistic, oligopolistic and etc.) in which firms compete and sell output. Overall, the course provides economic tools for understanding how product and resource markets function and the competitive characteristics of different industries. firms, acting at different types of markets- Overall, course provides the economic tools for understanding how product and resource markets function and the competitive characteristics of different industries. The course requires knowledge of algebra and calculus to apply rigorous approach in problems solving.

Prerequisite: Mathematics

3 Course Objectives:

Upon successful completion of the course, the student will be able to:
to describe Consumer choice theory and the Utility theory, describe the use of indifference curves, opportunity sets and budget constraints in decision making; calculate and interpret a budget constraint; distinguish between normal and inferior goods and explain Giffen goods, determine a consumer’s equilibrium bundle of goods based on utility analysis; calculate interpret and compare accounting and economic profit; calculate and interpret total, average and marginal revenue, describe the firm’s factors of production; calculate and explain different types of costs- average, marginal, fixed and variable; distinguish between short-run and long-run profit maximization; describe the phenomenon of diminishing marginal returns and calculate the profit-maximizing utilization level of input; describe the optimal combination of resources that minimizes cost; define and distinguish different types of markets: perfect competition, monopolistic competition, oligopoly and pure monopoly; describe firm’s supply function under each market structure; describe the use and limitations of concentration measures in identifying market structure and etc.

4 Instructional Material:

Required: Hal Varian , Intermediate Microeconomics: A Modern Approach

Perloff, J.M. Microeconomics. Sixth Edition. Kaplan. CFA Institute.

Supplemental: Ricahrd V.Eastin et al. Demand and Supply analysis, Consumer Demand, The Firm and etc.

5 Course Schedule

Topics	Lecture	Main Readings (Perloff)	Additional Readings (Kaplan CFA)
T1. Demand and Supply 1. Demand and Supply curves 2. Market equilibrium 3. Effect of Government intervention (regulation)	1	Chap 2 (31-63)	Reading 13
4. Elasticities	2	Chap 3 (64-81)	Reading 13
5. Other markets			Reading 13
T2. Theory of the consumer 1. Preferences	2	Chap 4 (95-119)	Reading 14
2. Utility 3. Budget constraint 4. Consumer Choice 5. Deriving demand functions 6. Effect of price and income on demand	3	Chap 4 (95-119)	Reading 14
T3. Theory of the firm: production 1. Production function 2. Nature of cost 3. Cost minimization	4	Chap 6 (173-197, excerpts from 202-205)	Reading 15
MIDTERM EXAM*	5		
4. Perfect competition 5. Applying the competitive model	5	Chap 8 (248-276, excerpts from 286-291)	Reading 15
T4. Market structure 1. Monopoly profit maximization	6	Chap 11 (375-393, excerpts from 410-415)	Reading 16
2. Oligopoly competition 3. Monopolistic competition	7	Chap 13 (458-461, 468-475, 493-497)	Reading 16
T5 Market Organization 1. Basics of market organization 2. Leverage ration & margin transaction 3. Market instructions & trading 4. Characteristics of a well-functioning financial system & Market regulation.	7		Reading 47
T6 Security Market Indices 1. description 2. index construction and management 3. uses	8		Reading 48
4. equity indices, fixed-income indices and alternative investments 5. types of security market indices.	9		Reading 48
T7 Market Efficiency a. market efficiency and related concepts b. market value vs intrinsic value c. factors affecting a market's efficiency; d. weak-form, semi-strong form, and strong-form e. pricing anomalies and inconsistencies f. the behavioral finance view	9		Reading 49

1 Course: Asset Management

Instructor: Teimuraz Vashakmadze
E-mail: teimuraz.vashakmadze@gmail.com

2 Course Description:

The course aims to expose students to the fundamental concepts of asset management in main asset classes: equities, bonds and alternative investments. It explores practical aspects of modern portfolio theory, strategic assets allocations, and investments in equity, portfolio risk management, hedge fund management strategy, and stock market anomalies. The course explores main lessons from last financial crises and provides new and deeper knowledge applicable to the future. The aim of this course is to provide students with genuine diversification techniques, which require deeper understanding of how various asset classes interact across multiple economic scenarios. This course explores evolution of portfolios comprising of complex products that investors do not. This will include an introduction to portfolio theory, asset allocation and equity valuation.

Prerequisite: corporate finance, statistics, econometrics, international macroeconomics

3 Course Objectives:

Upon successful completion of the course, the student will be able to:

- evaluate portfolio performance;
- construct optimal portfolios and make asset allocation decisions which match goals, risk tolerance and other client characteristics
- know the steps to rebalance portfolios
- communicate effectively with the client and understand their attitudes and values in such a way as to incorporate them into their financial plan
- use time value of money and risk-adjusted valuation techniques in asset acquisition decisions
- demonstrate the ability to clearly discuss and justify recommendations
- demonstrate the appropriate level of competence in written expression as demanded by the discipline and as expected of a graduate student

4 Instructional Material:

Required:

- John L. Maginn, Donald L. Tuttle, Dennis W. McLeavey, Jerald E. Pinto, MANAGING INVESTMENT PORTFOLIOS. A DYNAMIC PROCESS. John Wiley & Sons, Inc. 2007.
- CFA Book 4 – Corporate finance, portfolio management, and equity investments, 2011.
- Academic papers:
 - Magnus Dahlquist and Campbell R. Harvey, Global Tactical Asset Allocation, January 31, 2001

- o Niels Bekkers, Ronald Q. Doeswijk, Trevin W. Lam, Strategic Asset Allocation: Determining the Optimal Portfolio with Ten Asset Classes, October 2009

5 Course Schedule

TIME	PART	TOPICS	ASSIGNMENT DUE	READING ASSIGNED
	Portfolio management	Introduction to portfolio management		Level 1 CFA book 4 (2012 ed) electronic version Readings: 43
	Portfolio management	Portfolio risk and return	Home assignment: 3 asset portfolio construction in MS Excel.	Level 1 CFA book 4 (2012 ed) electronic version Readings: 44-45
	Portfolio management	Basics of portfolio planning and construction	Case discussion: Rudy Wong, Investment Advisor. Assignment in class: The IPS preparation	Level 1 CFA book 4 (2012 ed) electronic version Readings: 46
	Portfolio management	Asset allocation	Homework (MCQ on the portfolio management) Discussion on asset allocation (based on 2 academic papers) Bloomberg lab: Introduction to Bloomberg, Portfolio Management, Data Gathering	MANAGING INVESTMENT PORTFOLIOS. A DYNAMIC PROCESS - Chapter 5.
	Portfolio management	Asset allocation	Case: Global Asset Allocation: Crude Calculations Case: Global Asset Allocation: All That Glitters? Case: Global Asset Allocation: Whither the U.S. Dollar?	MANAGING INVESTMENT PORTFOLIOS. A DYNAMIC PROCESS - Chapter 5.
			Midterm	

5 Course Schedule

	Equity valuation	Overview of equity securities	Bloomberg lab: Equity, Equity Screening	Level 1 CFA book 4 (2012 ed) electronic version: Reading 50 overview of equity securities Reading 52 equity valuation concepts and basic tools MANAGING INVESTMENT PORTFOLIOS. A DYNAMIC PROCESS - Chapter 7
	Equity valuation	Industry and company analysis	Bloomberg lab: Equity, Equity Screening	Level 1 CFA book 4 (2012 ed) electronic version: Reading 50 overview of equity securities Reading 52 equity valuation concepts and basic tools MANAGING INVESTMENT PORTFOLIOS. A DYNAMIC PROCESS - Chapter 7
	Equity valuation	Equity valuation: concepts and basic tools	Bloomberg lab: Equity, Equity Screening on 21/04/2014 and 28/04/2014 Company valuation and financial modeling practice. Homework (MCQ on the equity valuation). Case: Nike-- Globalizing the Sportswear Industry	Level 1 CFA book 4 (2012 ed) electronic version: Reading 50 overview of equity securities Reading 52 equity valuation concepts and basic tools MANAGING INVESTMENT PORTFOLIOS. A DYNAMIC PROCESS - Chapter 7
		Group projects* presentation		

*Group project

The project will consist of conducting an asset allocation recommendations and equity valuation of a publicly-traded company which will be included in the portfolio.

Mandatory content of group project:

- Macro outlook
- The selection of asset classes
- Investment theme for equity part of the portfolio
- Fundamental valuation of a chosen company

Each team has to prepare 25-50 slides.

You can work in groups of maximum of 2 people.

In executive summary of the report you have to write who exactly was doing what!!!

7 Course Requirements:

Final exam: 30 points, midterm exam: 30 points, group project: 20 points, cases: 20 points.

Total: 100 points.

1 Course: Alternative Investments

Instructor: Teimuraz Vashakmadze
E-mail: teimuraz.vashakmadze@gmail.com

2 Administrative Information:

Class Duration: Spring semester 2014
Location: RANEPA, Vernadskogo prospekt, 82
Website:
<https://www.myhaikuclass.com/profvashakmadze/alternativeinvestments>
Office hours: Only by appointment

3 Course Description:

This course aims to discuss the following categories of alternative investments; real estate, private equity, and hedge funds. Real estate investments, both private investment and investment through publicly traded securities, are described and methods for analysis and evaluation are presented. Private equity, including venture capital and leveraged buyouts, is examined from the perspectives of a private equity firm evaluating equity investments for its portfolio and an investor evaluating participation in a private equity fund. Finally, investing in hedge funds is surveyed.

Prerequisite: corporate finance, statistics, econometrics, asset management

4 Course Objectives:

Upon successful completion of the course, the student will be able to:

- Gain a deep understanding of the asset classes, markets, participants and trading strategies.
-

5 Instructional Material:

Required:

- John L. Maginn, Donald L. Tuttle, Dennis W. McLeavey, Jerald E. Pinto, MANAGING INVESTMENT PORTFOLIOS. A DYNAMIC PROCESS. John Wiley & Sons, Inc. 2007.
- CFA Book 5 – Fixed income, derivatives, and alternative investments, 2011.

6 Course Schedule

TIME	PART	TOPICS	ASSIGNMENT DUE	READING ASSIGNED
		Introduction to alternative investments Investing in commodities		Level 1 CFA book 4 (2012 ed) electronic version Readings: 66-67 MANAGING INVESTMENT PORTFOLIOS. A DYNAMIC PROCESS - Chapter 8.5
		Investing in real estate	Case: Golden Opportunity: Commercial Real Estate Valuation Bloomberg lab: Real Estate Funds, REITS	MANAGING INVESTMENT PORTFOLIOS. A DYNAMIC PROCESS - Chapter 8.3
		Investing in hedge funds	Case: Martingale Asset Management LP in 2008, 130/30 Funds, and a Low-Volatility Strategy Bloomberg lab: Hedge Funds	MANAGING INVESTMENT PORTFOLIOS. A DYNAMIC PROCESS - Chapter 8.6
		Private equity	Case: Venita Fields: What Private Equity Professionals Really Do Bloomberg lab: Private Equity Funds	MANAGING INVESTMENT PORTFOLIOS. A DYNAMIC PROCESS - Chapter 8.4
		Distressed securities	Case: First Capital Holding Corp.	MANAGING INVESTMENT PORTFOLIOS. A DYNAMIC PROCESS - Chapter 8.8
		EXAM		

7 Course Requirements:

Final exam: 50 points, midterm exam: 30 points, cases: 20 points. **Total: 100 points.**

1. Course: Fixed Income and Derivatives

Instructor: Dorota Kowalczyk
E-mail: dorota.kowalczyk@cerge-ei.cz

2. Administrative Information:

Course website:
www.myhaikuclass.com/dorota/fixedincomesecurities
Office hours: TBD.

3. Course Description:

Fixed Income Securities and Derivatives is one of the courses preparing for the CFA exam. This course introduces the most common plain derivatives products and the bonds. The goal is to provide the understanding of the bonds and derivatives mechanics and their markets characteristics. Basic trading and hedging strategies involving futures and options will be discussed.

4. Course Objectives:

Upon successful completion of the course, the student will:

- characterize the fundamental features of bonds
- discuss bond sectors and instruments
- price bonds, floating-rate and inverse-floating-rate securities
- discuss yield measures, various types of rates and the term structure of interest rates
- describe characteristics and types of financial derivative instruments
- elaborate on the theories of the term structure of interest rates
- summarize the types of derivative markets and traders
- explain the mechanics of futures, swaps and option markets
- contrast forward and futures contracts
- provide a background for plain interest rate derivatives
- present and value swaps
- discuss the trading strategies using futures and options

5. Teaching Method:

The course format implies extensive reading, lectures, consultations, homework assignments, on-line tests, case studies, in-class discussions and quizzes.

6. Instructional Material:

Required:

BM = Bond Markets, Analysis and Strategies, Frank J. Fabozzi, 8th Ed, Prentice Hall, 2013.

FI = Fixed Income Analysis, , Frank J. Fabozzi, 2nd Ed., John Wiley & Sons, Inc. 2007.

HL = Options, Futures, and Other Derivatives, John C. Hull, 8th Edition, Prentice Hall 2012.

Supplemental:

INV = Essentials of Investments, Zvi Bodie, Alex Kane and Alan J. Marcus, McGraw-Hill International Editions, Financial Series, Fourth Edition, 1999. (selected chapters).

HL2 = Fundamentals of Futures and Options Markets, John C. Hull, 7th Ed. Prentice Hall Finance Series, 2009.

7. Course Requirements:

Part I: Midterm exam: 35 points, assignments: 10 points, participation (in-class quizzes, discussions & team work): 5 points. **Total: 50 points.**

Part II: Final exam: 35 points, assignments: 10 points, participation (in-class quizzes, discussions & team work): 5 points. **Total: 50 points.**

Part I + Part II = 100 points

- The exam retake policy is: A student can retake the exam if her/his score was below 40%.
- Only a justified absence entitles to an additional quiz (no retakes are allowed).
- Late homework submission will cost points.

8. Academic Integrity:

Academic honesty is non-negotiable. All assignments submitted in fulfillment of course requirements must be the student's own work. Plagiarism and/or any other form of academic dishonesty will not be tolerated and will result in a grade of zero on the assignment.

9. Course Schedule and Learning Outcomes:

TIME	PART I	SECTION	READING ASSIGNED
	A. FIXED INCOME SECURITIES	A.1 Features of Debt Securities and Pricing of Bonds	BM: Ch 1, BM: Ch 2, FI: Ch 1, FI: Ch 2, FI: Ch 5
	A. FIXED INCOME SECURITIES	A.2 Measuring Yield and Bond Price Volatility	BM: Ch 3, BM: Ch 4, FI: Ch 6
	A. FIXED INCOME SECURITIES & B. DERIVATIVES	A.3 Yield Measures, Yield Spreads, Spot Rates, Forward Rates and the Term Structure of Interest Rates	BM: Ch 5, FI: Ch 4 FI: Ch 6, HL: Ch 4

TIME	PART II	SECTION	READING ASSIGNED
	B. DERIVATIVES	B.1. Derivative Markets and Instruments	HL: Ch 1, HL: Ch 2
	B. DERIVATIVES	B.2 Forward Markets and Contracts, Futures Markets and Contracts	HL: Ch 2, HL: Ch 5
	B. DERIVATIVES	B3 Hedging Strategies Using Futures Review of Section A.3.	HL: Ch 3 HL: Ch 4
	DERIVATIVES	B.4 Swap Markets and Contracts, Option Markets and Contracts	HL: Ch 7, HL: Ch 9
	DERIVATIVES	B. 5 Risk Management Applications of Option Strategies	HL: Ch 10
	DERIVATIVES	B. 6 ADDITIONAL: Securitization, Credit Derivatives and the Crisis	HL: Ch 8

1 Course: Ethics and Professional Standards

Instructor:

E-mail:

2 Administrative Information:

Class Duration:

Location: RANEPА, проспект Вернадского, 82

Office hours: TBD

3 Course Description:

Economists argue that the overriding objective for corporate managers is and must be maximizing shareholder value. Some people understand this to mean “make as much money as you can any way possible,” and consider maximizing shareholder value as the focal point of management to be somehow unethical. In fact, corporate managers have only two duties, in my view: maximize shareholder value, and obey the law. In our first class meeting I will explain, and we will discuss, why this is the correct view.

Many moral codes, for example Moses’ Ten Commandments, dictate that lying is immoral (I happen to agree). If you are a securities analyst, knowingly overstating the earnings of a company in order to sell its securities is morally wrong. However, for the purposes of this course, morality is not our concern. Overstating the company’s earnings will harm your firm’s reputation for accurate and honest analysis, and eventually destroy the firm’s value. It will also violate various securities laws, exposing you and the firm to legal jeopardy, and will also violate the codes adopted by various professional organizations, such as the CFA Institute.

Hence, we will study what laws and professional codes regulate the behavior of finance professionals. A key focus will be the Code of Ethics and Standards of Professional Conduct of the CFA Institute. For those of you taking the CFA exams, this will prepare you to successfully pass this portion of the exams. However, we will examine the Code as an example of rationally self-imposed codes of ethical conduct. We will also examine and discuss various legal standards of conduct as they apply to the financial markets. In addition, we will examine and discuss how ethical behavior generally promotes economic efficiency and shareholder value, by reading several general articles and by discussing several case studies.

4 Course Objectives:

Upon successful completion of the course, the student will:

- Be adequately prepared to pass the Code of Ethics part of the CFA exams
- Understand why maximizing shareholder value is beneficial to not only company shareholders, but also to other stakeholders as well
- Be aware of what legal obligations they have as finance professionals
- Understand why ethical behavior in their professional conduct is not only desirable, but required
- Understand technical terms and concepts such as “materiality,” “reasonable basis,” and “suitability,” among others
- Understand in detail what are such problems as conflicts of interest, what are the duties of care and of loyalty, and what are the various ethical responsibilities of finance professionals

5 Instructional Material:

We will use two primary course materials, plus a variety of case studies and journal articles.

Standards of Practice Handbook, CFA Institute

SchweserNotes, CFA Level 1 Book 1: Ethical and Professional Standards

The Handbook is 219 pages. We will review in class all major, essential points in the CFA Code of Ethics and Standards of Professional Conduct. We will use the SchweserNotes as a supplement to enhance our understanding of the Code and to prepare for the CFA exam. However, all students must read the assigned sections of the Handbook in advance of class. Our course is designed to help you master the assigned material, and not as a substitute for your own study and reading.

6 Course Schedule

Course Assignments:

Before each class, each student will choose one topic or question from the assigned reading that they thought was interesting or relevant, and write a short essay on this topic or question (half a page to one full page in length)

Session 1

“Stakeholder Theory and ‘The Corporate Objective Revisited’: A Reply,” Sundaram and Inkpen, *Organization Science*, May-June 2004, pp. 370-371.

“Ethics in Finance,” Richard Bruner, *Darden School of Business*, 2004.

"A Global Leader's Guide to Business Conduct," Lynne Paine, *Harvard Business Review*, September 2011

Questions for discussion: Why (or why not) is maximizing shareholder value of foremost importance? What are capital markets particularly dependent on ethical behavior by participants? What are basic rules that people in business should follow? And why?

Session 2

Review: Legal Requirements Under Russian and U.S. Law (lecture)

"Hermitage's Russian Quandary, Eric Werker, *Harvard Business School*, 2011

Questions for discussion: What legal rules might you be subject to in your future career? Why does Hermitage care about corporate governance at Gazprom? What is the value to all stakeholders of good governance at Gazprom?

Session 3

"Corruption at Siemens (A-D), Paul Healy, *Harvard Business School*, 2009

"Greased Palms, Giant Headaches, Dan Curell, *Harvard Business Review*, September 2012

Questions for discussion: Why do companies engage in bribery? What are the costs and benefits to Siemens of corrupt business practices? What should Siemens do, if anything, about corruption?

Session 4

"Doing What is Good," *Managing for Ethical-Organizational Integrity*, Abe Zakhem (Harvard Business Publishing, 2011)

Questions for discussion: How can organizations promote and enforce ethical conduct by their employees? What are the costs and benefits of doing so?

Administration of mid-term exam (1 hour)

Session 5

CFA Code of Ethics and Standards of Professional Conduct

- Standard I: Professionalism (Handbook, SchweserNotes)
- Standard II: Integrity of Capital Markets (Handbook, SchweserNotes)

Session 6

CFA Code of Ethics and Standards of Professional Conduct

- Standard III: Duties to Clients (Handbook, SchweserNotes)
- Standard IV: Duties to Employees (Handbook, SchweserNotes)

Session 7

CFA Code of Ethics and Standards of Professional Conduct

- Standard V: Investment Analysis, Recommendations, and Actions (Handbook, SchweserNotes)
- Standard VI: Conflicts of Interest (Handbook, SchweserNotes)

Session 8

CFA Code of Ethics and Standards of Professional Conduct

- Standard VII: Responsibilities as a CFA Member or Candidate (Handbook, SchweserNotes)

Review and Final Discussion

Administration of Final Exam

7 Course Requirements:

Final Exam 40%

Mid-term exam 20%

Assignments: 20%

Class participation: 20%

Code of Conduct: Material plagiarism or any other form of intentional cheating will result in automatic failure.

1 Course: Behavioral Economics

Instructor: Anush A. Hakobyan

E-mail: ane.global.finance@gmail.com

Instructor: Silvester van Koten

E-mail: slvstr@gmail.com

2 Administrative Information:

Class Duration: 45 min x 4, 10 min break

Location: RANEPa, prospect Vernadskogo 82

Office hours: By appointment or by E-mail

3 Course Description:

The objective of the course is to introduce you to the development and implementation of Behavioral sciences in Economics and Finance to the understanding of the Rational Irrationality of human behavior.

Behavioral economics incorporates insights from other social sciences, such as psychology and sociology, into economic models, and attempts to explain anomalies that defy standard economic analysis. Topics include economic fluctuations and speculation, herd behavior, attitudes towards risk, money illusion, involuntary unemployment, saving, investment, poverty, identity, religion, trust and risk management.

Prerequisite: The pre-requisite of this course is Intermediate Microeconomics.

4 Course Objectives:

Upon successful of the course, the student will:

- be able to understand the rules of irrational behavior,
- demonstrate the appropriate level of competence in written expression as demanded by the discipline and as expected of a graduate student

5 Instructional Material:

Required:

Nudge.Improving Decisions about Health, Wealth and Happiness.Richard H.Thaler, Cass R.Sunstein

Judgement in Managerial Decision Making. Max H. Bazerman, Don A.Moore

Supplemental:

Heath, C., Heath, D. 2013. Decisive: how to make better choices in life and work.

Random House, Inc., New York

6 Course Schedule

TIME	TOPICS	ASSIGNMENT DUE	READING ASSIGNED
	Introduction to Behavioral Economics and Finance <ul style="list-style-type: none"> - History of Development. - The bounds of human Rationality. - Introduction to Judgmental Heuristics 		
	Common Biases: <ul style="list-style-type: none"> - Availability, Representativeness and Confirmation Heuristic. 		
	Thinking <ul style="list-style-type: none"> - Bounded awareness - Bounded awareness in groups, Strategic Settings and in Auctions 		Gleitmann. 2011. Psychology. Chap.7 on thinking. Optional: Heath, C., Heath, D. 2013. Decisive: how to make better choices in life and work. Random House, Inc., New York
	Using behavioral regularities for leadership: persuasion and change		Leaders Book Summaries: Made To Stick. 2012. Bloomberg Businessweek: How Change Happens. 2010. Optional: Heath, C., Heath, D. 2007. Made to stick. Random House, Inc., New York. Optional: Heath, C., Heath, D. 2010. Switch, how to change things when change is hard. Broadway Books, New York.
COMPUTER LAB	Industry training in experiments: an interactive session on electricity markets		Varian, H. 2002. Avoiding the pitfalls when economics shifts from science to engineering. New York Times; New York, N.Y Optional: Roth, Alvin E. 2002. "The economist as engineer: game theory, experimentation, and computation as tools for design economics

1 Course: Behavioral Finance

Instructor: Andreas Ortmann

E-mail: aortmann@gmail.com

2 Administrative Information:

Class Duration:	45 min
Location:	RANEPA, prospect Vernadskogo 82
Office hours:	By appointment or by E-mail

3 Course Description:

The objective of the course is to introduce you to behavioral finance. Mainstream finance (which is drawing heavily on mainstream economics) uses very strong assumptions in its models to make predictions and to explain behavior. Humans are, however, have cognitive limitations and hence may only be boundedly rational. They often use heuristic thinking instead of logical thinking and this has both its strengths (speed) and weaknesses (biases). Much of the empirical evidence establishing those biases has been produced in the laboratory. And part of the course is hence concerned with the way that evidence is being produced.

This course presents a concise overview of some key issues in (behavioral) finance.

Prerequisite: The pre-requisite of this course is Intermediate Microeconomics.

Lecture 1:

The following is best read before you come to class (some of it has already been covered [confirmation bias and availability bias] but re-reading won't hurt and it is a good and easy refresher):

http://www.investopedia.com/university/behavioral_finance/

1. **Behavioral Finance: Introduction**
2. [Behavioral Finance: Background](#)
3. [Behavioral Finance: Anomalies](#)
4. [Behavioral Finance: Key Concepts - Anchoring](#)
5. [Behavioral Finance: Key Concepts - Mental Accounting](#)
6. [Behavioral Finance: Key Concepts - Confirmation and Hindsight Bias](#)
7. [Behavioral Finance: Key Concepts - Gambler's Fallacy](#)
8. [Behavioral Finance: Key Concepts - Herd Behavior](#)
9. [Behavioral Finance: Key Concepts - Overconfidence](#)
10. [Behavioral Finance: Key Concepts - Overreaction and Availability Bias](#)
11. [Behavioral Finance: Key Concepts - Prospect Theory](#)
12. [Behavioral Finance: Conclusion](#)

Also read the Schweser notes pp. 150 – 223 (Behavioral Finance unit)

And read Nobel Prize Committee 2013 prize popular information (The Nobel Prize in Economic Sciences was given to one person who can be considered a behavioral finance person [Shiller] and one who is a hard-core efficient market person [Fama] , with the third essentially attempting to be a sort of empirical arbiter between them.

http://www.nytimes.com/2013/11/17/your-money/lars-peter-hansen-the-nobel-laureate-in-the-middle.html?smid=fb-share&_r=0

and here (this one is optional and only for the ambitious):

http://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/2013/advanced-economicsciences2013.pdf

And this article from The New York Times:

http://www.nytimes.com/2013/11/17/your-money/lars-peter-hansen-the-nobel-laureate-in-the-middle.html?smid=fb-share&_r=0

Lecture 2:

Read:

EXPERIMENTAL LAW? LESSONS FROM
EXPERIMENTAL ECONOMICS ON APPLYING
PSYCHOLOGICAL RESEARCH TO THE LAW

Bruce D. Burns

2003 MICH. ST. L. REV. 955

Johnson & Goldstein (Science 2003), Do Defaults Save Lives?

Johnson et al (Marketing Letters 2012), Beyond Nudges: Tools of a Choice Architecture (**optional**)

Sunstein (2013, draft), Impersonal Default Rules vs. Active Choices vs. Personalized Default Rules: A Triptych (**optional**)

List (2004), Neoclassical Theory Versus Prospect Theory: Evidence from the Marketplace. *Econometrica* 72(2), 615 – 625.

Lecture 3:

[Guessing game experiment]

Guessing games and common knowledge of rationality (Bosch-Domenech et al , PHV):

<http://www.aeaweb.org/articles.php?doi=10.1257/000282802762024737>

& Backward induction and common

knowledge of rationality (Palacios- Huerta & Volij)

<http://www.aeaweb.org/articles.php?doi=10.1257/aer.99.4.1619>

Lecture 4:

Bubbles, crashes, and common knowledge of rationality in the lab (Kirchler et al., Dufwenberg et al)

<http://www.aeaweb.org/articles.php?doi=10.1257/aer.102.2.865>

and Bubbles, crashes, common knowledge of rationality, and experience in the lab (Dufwenberg)

<http://www.aeaweb.org/articles.php?doi=10.1257/000282805775014362>

In this unit we will return also to some of the Monday and Wednesday readings.

4 Course Objectives:

Upon successful of the course, the student will:

- Be able to describe the main heuristics in human thinking and the main biases
- be able to apply this knowledge of business communication and change management

5 Instructional Material:

Required:

- see the course schedule

6 Course Schedule

TIME	TOPICS	ASSIGNMENT DUE	READING ASSIGNED
	Strengths and weaknesses of human thinking: <ul style="list-style-type: none">- Human thinking, system 1 and system 2- Mental representation, pictures and mental imagery- Heuristics, fallacies and biases in judging, reasoning, deciding and problem solving Creative thinking		Gleitmann. 2011. Psychology. Chap.7 on thinking. <i>Optional:</i> Heath, C., Heath, D. 2013. <i>Decisive: how to make better choices in life and work.</i> Random House, Inc., New York
	Using behavioral regularities for leadership: persuasion and change <ul style="list-style-type: none">- The 6 main human factors to address to persuade and present your message.- The 3 main categories of factors to induce change in organizations or in individual human behavior		Leaders Book Summaries: Made To Stick. 2012. Bloomberg Businessweek: How Change Happens. 2010. <i>Optional:</i> Heath, C., Heath, D. 2007. <i>Made to stick.</i> Random House, Inc., New York. Heath, C., Heath, D. 2010. <i>Switch, how to change things when change is hard.</i> Broadway Books, New York.
	Industry training in experiments: an interactive session on competition and bidding in electricity markets <ul style="list-style-type: none">- Bidding and supply decisions in a complex environment/		Varian, H. 2002. Avoiding the pitfalls when economics shifts from science to engineering. New York Times; New York, N.Y. <i>Optional:</i> Roth, Alvin E. 2002. <i>"The economist as engineer: game theory, experimentation, and computation as tools for design economics</i>

7 Course Requirements:

Your course grade will be computed as follows: 10% general class participation, 20% Homework, 30% Midterm exam and 40% Final exam. However we reserve the right to count the final exam more heavily for those who do exceedingly well on it. No late homework will be graded. No make-up exams will be given. Students who have pre-approved excuse for missing the midterm will have the final exam counted for 70% of the grade. **Total: 100 points.**

1 Course : Investment projects valuation, financial modelling and forecasting

Instructor: Victor I. Solntsev, PhD, Associate Professor, Director of MSc Program in Corporate Governance (GSCM), Founding partner of IVM Consulting Group
E-mail: vi.solntsev@gmail.com

2 Administrative Information:

Class Duration:	16 ac. hours
Location:	RANEPА, проспект Вернадского, 82
Office hours:	TBD

3 Course Description:

The course aims to acquire technical skills in creating financial forecast models for investment evaluation in Excel and analytical skills in risk factor evaluation and scenario analysis.

Prerequisite: Fin.Mngt, Corp.Fin, Accounting, IT, Math (basic).

4 Course Objectives:

Upon successful completion of the course, the student will:

- be able to describe components of financial model (Assumptions, Sales, Costs, Salary, Amortization, Tax, WC, CF, P&L, BF, FR, WACC, Evaluation etc.) and relations between them
- be able to compose and analyze financial forecast proformas for certain business projects
- acquire knowledge of financial forecast in long-term period with NPV, IRR, PI, ARR, MIRR, DPB, EBITDA, OIBTDA, ROE, ROI, EVA, EValue at maturity calculations
- be able to perform risk analysis and scenario evaluation
- be able to describe and present the designed financial model to stakeholders
- demonstrate the appropriate level of competence in written expression as demanded by the discipline and as expected of a graduate student

5 Instructional Material:

Required: FMF Teaching Materials (incl. proforma and cases files) by Victor Solntsev, Principles of Corporate Finance by Richard Brealey and Stewart Myers

Supplemental: Advanced modelling in finance using Excel and VBA by Mike Staunton
Financial Modeling by Simon Benninga

6 Course Schedule

TIME	PART	TOPICS	ASSIGNMENT DUE	READING ASSIGNED
	1.1	Basic of FMF. Sample test.	Case study "Horse.xls"	TM-1, PCF Ch.2
	1.2	FMF Algorithms and Calculations. Structure and Links. Input Data.	Case study "Concrete_plant.xls"	TM-2, PCF Ch.3
	2	Assumptions. Sales forecast. Production. Costs. Investments and Operations. Salary. Taxes. Amortization&Depreciation.	Group Project "Your Business" (student's choice)	TM-3, Proformas
	3	Cash Flow and Profit&Losses forecast. Periods: monthly, quarterly, annually. Finance Plan: loans and Balance Forecast. Calculations. Errors and mistakes	Group Project "Your Business"	TM-4, Proformas
	4.1	Evaluations (NPV, IRR, PI, PB, ARR, EVA, EValue etc). WACC, Scenario and Risk Analysis.	Group Project "Your Business"	Proformas
	4.2	Description and Presentation of Group Projects. Expert and stakeholder evaluation. Quiz. Course feedback	Group Project «Your Business"	Proformas and Samples

7 Course Requirements:

Final exam: 30 points, project: 40 points, midterm exam: 30 points..... **Total: 100 points.**

1 Course: Applied Econometrics

Instructor: Dorota Kowalczyk
E-mail: dorota.kowalczyk@cerge-ei.cz

2 Administrative Information:

Class Duration:
Location: RANEPA
Office hours: TBD

3 Course

Description:

Applied Econometrics is one of the courses preparing for the CFA exam. The goal of this course is to familiarize students with fundamental concepts and methods of econometric analysis. The course introduces regression with a single regressor, multiple regression, the basics of functional form analysis, regression with panel data, regression with a limited dependent variable and instrumental variables regression. The course concludes with experiments, quasi-experiments and introductory time series analysis. An important feature of this course is its emphasis on the elements of econometric analysis used throughout the quantitative analysis of the CFA Program curriculum. Whenever possible, the course is elementary and presents concepts and techniques in way that benefits students of all mathematical backgrounds.

Prerequisite: Working knowledge of mathematics and introductory statistics.

4 Course Objectives:

Upon successful completion of the course, the student will:

- be able to present the concepts and methods of regression analysis including extensions of the regression methods
- develop computational skills in econometric analysis
- acquire a working knowledge of EViews
- demonstrate the appropriate level of competence regarding the fundamentals of econometrics (CFA exam preparation)
- demonstrate the appropriate level of competence in written expression as demanded by the discipline and as expected of a graduate student

5 Instructional Material:

Required:

SW = Introduction to Econometrics, James H. Stock & Mark W. Watson, 2nd Ed., Prentice Hall, 2007

Supplemental:

BS = Business Statistics: A Decision-Making Approach, David F. Groebner, Patrick W. Shannon, Phillip C. Fry & Kent D. Smith, 8th Edition, Prentice Hall, 2011

QM = Quantitative Methods for Investment Analysis, Richard A. DeFusco, Dennis W. McLeavey, Jerald E. Pinto & David E. Runkle, 2nd Edition

WO = Introductory Econometrics: A Modern Approach Jeffrey M. Wooldridge, Thomson Learning; 2nd edition, 2004

EV = Eviews Illustrated for Version 7, Richard Startz, Quantitative Micro Software, Ed. 2nd

6 Course Schedule

TIME	PART	TOPICS	READING ASSIGNE
	Fundamentals Of regression analysis	Introduction to Linear Regression and Correlation Analysis	BS: Ch 14 SW: Ch. 4
	Fundamentals Of regression analysis	Regression with a Single Regressor: Hypothesis Tests and Confidence Intervals Analysis of Variance	SW: Ch. 5 BS: Ch 12
	Fundamentals of Regression analysis	Linear Regression with Multiple Regressors Hypothesis Tests and Confidence Intervals in Multiple Regression	SW: Ch. 6 SW: Ch. 7
	Fundamentals Of regression analysis	EViews session Nonlinear Regression Functions	SW: Ch. 8
	Fundamentals of Regression analysis	Assessing Studies Based on Multiple Regression Review session	SW: Ch. 9 SW: Ch. 4 - 9
	Further topics in regression analysis	Midterm exam Regression with Panel Data	SW: Ch. 10
	FURTHER TOPICS IN REGRESSION ANALYSIS	Regression with a Binary Dependent Variable	SW: Ch. 11
	Further topics in regression analysis	Instrumental Variables Regression	SW: Ch. 12
	Further topics in regression analysis	Experiments and Quasi-Experiments EViews session	SW: Ch. 13
	Regression Analysis Of economic time series data	Introduction to Time Series Regression and Forecasting	SW: Ch. 14
	Additional topics	Goodness-of-Fit Tests & Contingency Analysis	BS: Ch 17 QM: Ch 7 BS: Ch 13
		Review session	SW: Ch. 10 - 14
		Final Exam	

7 Course Requirements:

Final exam: 40 points, midterm exam: 25 points, assignments: 20 points, class participation (in-class quizzes, discussions & team work): 15 points. **Total: 100 points.**

1. Course: Financial Risk Management

Instructor: Dorota Kowalczyk
E-mail: dorota.kowalczyk@cerge-ei.cz

2. Administrative Information:

Class Duration:
Location: RANEP,
Course website: <https://www.myhaikuclass.com/dorota/financialriskmanagement>
Testing website: https://www.eztestonline.com/dorota_kowalczyk/index13.tpx

3. Course Description:

The course presents a range of techniques for the measurement and management of financial risk. The aim is to provide the students with the selected important methods and models in use. The emphasis is on the market and credit risk models.

Prerequisites: Fixed Income Securities and Derivatives, Alternative Investments, Asset Management, Corporate Finance, Applied Statistics and working knowledge of mathematics

4. Course Objectives:

Upon successful completion of the course, the student will:

- define risk, identify the classifications of risks and explain the role played by risk in value creation
- summarize liquidity risk, its main sources and risk measures
- summarize operational risk, its main sources and risk measures
- elaborate on market risk, its main sources and risk measures
- describe the mechanics of VaR, its advantages and limitations
- elaborate on credit risk, its main sources and risk measures
- describe the mechanics of default models of portfolio credit risk (CreditRisk+)
- explain the mechanics and limitations of mark-to-market models of portfolio credit risk (CreditMetrics)
- discuss KMV Credit Monitor methodology, compute the theoretical and empirical EDF
- describe how to hedge linear and nonlinear risk
- present credit structured products and the rationale of credit derivatives markets
- discuss the pros and cons of credit derivatives and structured products as well as recent regulatory developments
- provide a broad overview of the Basel frameworks
- summarize the crisis of 2007 and regulatory failure
- present the best practices for integrated risk management

5. Teaching Method:

The course format implies extensive reading, lectures, consultations, homework assignments, in-class discussions and quizzes.

6. Instructional Material:

Required:

FRM: Jorion, P., Financial Risk Manager Handbook, 5th ed., New York: Wiley, 2009

SAN: Allen, L. and A. Saunders, Credit Risk Management In and Out of the Financial Crisis: New Approaches to Value at Risk and Other Paradigms, Wiley Finance, 3rd ed., Wiley, 2010

Supplemental:

VR: Jorion, P. Value at Risk. The New Benchmark for Managing Financial Risk., 3rd ed., McGraw-Hill, 2007

HLL: Hull, J., Options, Futures, and Other Derivatives Securities, 8th ed., Prentice Hall, 2012

WLT: Wilmott, P., Paul Wilmott On Quantitative Finance, Wiley & Sons, 2006

7. Course Schedule:

TIME	PART	TOPICS	READING ASSIGNE
	INTRODUCTION	Introduction to Financial Risk Management	VR: Ch 1 FRM: Ch 10
	MARKET AND CREDIT RISK MANAGEMENT	Value-at-Risk of a Simple Equity Portfolio	FRM: Ch 10 FRM: Ch 20 FRM: Ch 23 SAN: Ch 4 SAN: Ch 9
	CREDIT RISK MANAGEMENT	Loan Portfolios, Expected and Unexpected Losses	FRM: Ch 18 FRM: Ch 19 FRM: Ch. 23
	VALUATION AND RISK MODELS	Hedging Linear Risk Nonlinear Risk Models (simplified approach)	FRM: Ch 12 FRM: Ch 13 (HLL: Ch 18)
	Midterm		
	CREDIT RISK MANAGEMENT	Credit Risk and Subprime Mortgages	FRM: Ch 22 SAN: Ch 1
	OPERATIONAL AND INTEGRATED RISK	Operational and Liquidity Risks	FRM: Ch 24 FRM: Ch 25
	OPERATIONAL AND INTEGRATED RISK	Firmwide Risk Management	FRM: Ch 26
	OPERATIONAL AND INTEGRATED RISK	Basel and Regulatory Reference	FRM: Ch 28 FRM: Ch 29 FRM: Ch 30

The above schedule is for reference only. The instructor may have the flexibility to control the pace of teaching.

1 Course: Fundamental and Technical Analysis

Instructor: Dmitry Shemetilo, PhD, CFA. ph: +447971571660

E-mail: Shemetilo@aol.com

2 Administrative Information:

Class Duration:

Location: RANEPA

Office hours: TBD

3 Course Description:

To provide some inside for the use of financial analysis for sovereign and corporate fundamentals for investment decisions. Discussion of financial jobs, structure of financial research, sources of financial information.

Pre requests: Financial Reporting and Analysis, Corporate Finance, Macroeconomics, Corporate Finance.

Possible Intersections: Asset Management, Financial Modelling and Forecasting, Credit Risk Management

4 Course Objectives:

Upon successful completion of the course, the student should be able to define relative fundamental variables and parameters for analysis, find them, and be able to analyse them from the credit, interest rate and fx perspectives.

1. Jobs in the financial market

Discussion of possible users and producers of the Investment Analysis. Economist, Trader,

Sales, Risk Manager, Portfolio manager

2. What is Fundamental Analysis?

Definitions and different parts of the Investment Analysis. Economic Analysis, Financial Analysis, Non-Financial Analysis, Other ways, method, etc

3. Macro Analysis

More detailed look at the Economic Research and Analysis. Political Analysis, Economic Forecasts, Structure of Economic Research

4. Credit Research (Corporate Analysis)/Equity Research

Analysis of corporations. General Steps to Fundamental Evaluation, Group Selection, Narrow Within the Group, Company Analysis, Business Plan Analysis, Management, Financial Analysis, Putting it All Together: Company Valuation

5. Strengths of Fundamental Analysis

Long-term Trends, Value Spotting, Knowledge of Industries and Players.

6. Weaknesses of Fundamental Analysis

Time Constraints, Industry/Company Specific, Subjectivity, Analyst Bias

7. Conclusions

Part 2: Technical Analysis

8. Course goals: To provide a general overview and main principals of the technical analysis. To show the difference of the technical and fundamental analysis. Applications and use of the technical analysis for investment decisions. Discussion of financial jobs, structure of financial research, sources of financial information.
Pre requests: Macroeconomics, Econometrics 1

Possible Intersections: Investment Management, Financial Analysis

5 Instructional Material:

Required:

- Charles D. Kirkpatrick II , Julie Dahlquist; Technical Analysis: The Complete Resource for Financial Market Technicians
2. Martin J. Pring (Author); Technical Analysis Explained: The Successful Investor's Guide to Spotting Investment Trends and Turning Points
 3. Edwards and Magee: Technical Analysis of Stock Trends
 4. Web Resources <http://stockcharts.com/school>

Supplemental:

6 Course Schedule

1. Introduction to Technical Analysis
Discussion of the investors psychology, market dynamics and information flows
2. Charting Tools
Price Pattern Recognition Charts, Bar Chart, Line Charts, Candlestick Charts, Point-and-Figure Charts
3. Dow Theory
Price, Trend, Support and Resistance
4. Technical Indicators
Common Technical Price Patterns, Support and Resistance, Congestion Area – Trading Range, Support and Resistance Zones
5. Trend Indicators
Moving Averages , Uptrend Lines, Downtrend Lines,
6. Oscillators/ Momentum Indicators
7. Rate of Change Indicators: Momentum and Oscillator, Relative Strength Index (RSI), Volume and Open Interest
8. Pattern Analysis: Double Tops or Bottoms, Head-and-Shoulders Tops or Bottoms

1 Course: Anatomy of Financial and Economic Crises.

Selected topics in International Finance: Global Financial Crisis from the Start

Instructor: David A. Grigoryan, Ph.D., Senior Economist, Monetary and Capital Markets Department

2 Course Description:

The course will enable students to expand their understanding of the international economic system and to apply economic thinking to assess policy change at corporate, governmental and organizational levels. Students will learn how to analyse the BOP, will discuss the meaning of sovereign debt and the country default, learn about financial and banking crises from the 19th century and analyse the key factors that led to the current global crisis. During the classes students will discuss policy responses of different countries to the crisis and learn about sovereign debt restructuring .

3 Instructional Material:

The instructor will provide electronic versions of all handouts, articles and textbooks chapters required for the course. The course will be examined and graded within the framework of Macroeconomics final exam.

4 Course Schedule

- I. How was it before? A survey of the main parameters of sovereign debt and financial/banking sector crises from the 19th century
- II. Conditions immediate before the 2007-08 crisis: an overview of macroeconomic and financial conditions globally
- III. Understanding the anatomy of the 2007-08 crisis
- IV. Macroeconomic policy responses to the crisis and their implications: Did emerging market economies gain an edge over the developed economies?
- V. Sovereign debt: definitions, concerns/risks, and thresholds
- VI. Hidden debt: Guarantees and other contingent liabilities
- VII. Issuance of sovereign debt: Why develop domestic markets for public debt?
- VIII. Sovereign risk and financial stability: An overview of the relationship between the two and application of the link to the current European conditions
- IX. Sovereign debt restructuring: Recent experience and main issues
- X. Implications of the current debt crisis on corporate sector and macroeconomic perspectives

1 Course: Bank Analysis and Management

Instructor:

E-mail:

2 Course Description:

The course starts from the introduction to bank financial statements and covers the basics of financial statement analysis for banks using the CAMELS framework. It will help students to distinguish the risks in the different business lines and products offered by financial institutions and recognize how they are reflected in the financial statements.

Prerequisite: Microeconomics, Macroeconomics

3 Course Objectives:

Upon successful completion of the course, the student will:

- Understand the components of bank financial statements and key ratios used in bank analysis
 - Recognize the impact of differing accounting standards and policies (e.g. provisioning, asset valuation, securitization etc.) on the financial statements
 - Use the CAMELS framework (capital, asset quality, management, earnings, liquidity and sensitivity to market risk) and key ratios to make a preliminary assessment of the performance and financial health of a bank.
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4 Instructional Material:

Required: Anthony Saunders and Marcia Cornett, Financial Institutions

Management: A Risk Management Approach

1 Course : International Banking Regulations: Basel II, Basel III

Instructor: Anush Hakobyan, Peter Tuchyna, Jozef Zubricky

E-mail:

2 Course Description:

The goal of the course is to provide participants with an understanding of how capital is regulated under Basel II and III and how this impacts the day to day business and strategy of banks.

4 Course Objectives:

Upon successful completion of the course, the student will:

- Understand the role and importance of capital in a bank's balance sheet and identify the composition and relative importance of the different measures of capital from a regulatory perspective (Core Capital, Tier 1 Capital and Tier 2 / 3 Capital)
- Know the structure of the Basel Accord (minimum capital requirement, supervisory review process and market discipline) and the key principles of each
- Discuss the evolution from Basel I to Basel III
- Examine in detail Basel III banking regulation on Credit Risk
- Calculate how much capital must banks hold and learn how it is calculated
- Calculate unexpected loss
- Examine the strengths and weaknesses of Basel regulations
- Discuss the possible future developments in the regulations

1 Instructor:

Instructor: Ferry Blejenberg

E-mail:

2 Course Description:

The objective of the course is to provide students with a range practices and policies of integrated enterprise risk management (ERM). The course discusses the development and implementation of an ERM system, the role of ERM in shareholder value creation at the macro and micro level, the importance of corporate governance in an organization, the relationship between economic value and accounting performance, the challenges of risk aggregation, the role of regulatory and economic capital and the use of economic capital in the corporate decision making process. Students will examine the risk-adjusted measures of performance, their evaluation and benefits. The course format implies extensive reading, lectures, consultations, case studies, in-class discussion and quizzes.

1 Course: Credit Risk Management and Credit Derivatives

Instructor: Dorota Kowalczyk, Peter Tuchyna, Lecturer , Jozef Zubricky
E-mail:

2 Course Description:

The course presents a range of quantitative and qualitative techniques of credit risk evaluation, quantitative methodologies for credit analysis and scoring, and methods of credit risk management. In addition, a wide range of credit derivatives is discussed in details. The aim is to provide students with the understanding of key methods and models in use as well as to develop students' skills to apply them. The course familiarizes students with the workings of default models of portfolio credit risk (CreditRisk+), workings of mark-to-market models of portfolio credit risk (CreditMetrics, Credit VaR), KMV Credit Monitor methodology (EDF), discriminant analysis, nonparametric discriminant analysis and survival analysis. The course format implies extensive reading, lectures, tutorials in the Bloomberg laboratory and computer classes, homework assignments, quizzes and the term project.

3 Course Objectives:

Upon successful completion of the course, the student will:

- Discuss the mark-to-market models of portfolio credit risk
- Present the key concepts of mark-to-market models, describe their general characteristics, drivers of risk and credit event
- Illustrate the use of mark-to-market models with a simple example of CreditMetrics for a loan portfolio
- Describe the mark-to-market models of portfolio credit risk
- Explain the concept of CreditMetrics methodology of risk measurement
- Illustrate mark-to-market models with a simple example of CreditMetrics
- Discuss the strengths and limitations of CreditMetrics
- Present KMV Credit Monitor methodology
- Define and calculate the theoretical EDF
- Define and calculate the empirical EDF
- Explain what are observable and unobservable parameters of EDF
- Explain the structural relationship between the market value of assets and equity
- Discuss the strengths and limitations of EDF
- Explain the differences between mark-to-market and default models
- Discuss the default models of portfolio credit risk
- Present the key concepts of default models, describe the general characteristics, drivers of risk and credit event in the default models
- Explain the notion of default, probability of default, credit exposure, loss given default and recovery rate

5 Instructional Material:

Required:

Supplemental:

6 Course Schedule

Mark-to-Market Model of Credit Risk

The students will:

- Discuss the mark-to-market models of portfolio credit risk
- Present the key concepts of mark-to-market models, describe their general characteristics, drivers of risk and credit event
- Illustrate the use of mark-to-market models with a simple example of CreditMetrics for a loan portfolio
- Describe the mark-to-market models of portfolio credit risk
- Explain the concept of CreditMetrics methodology of risk measurement
- Illustrate mark-to-market models with a simple example of CreditMetrics
- Discuss the strengths and limitations of CreditMetrics
- Present KMV Credit Monitor methodology
- Define and calculate the theoretical EDF
- Define and calculate the empirical EDF
- Explain what are observable and unobservable parameters of EDF
- Explain the structural relationship between the market value of assets and equity
- Discuss the strengths and limitations of EDF
- Explain the differences between mark-to-market and default models

Overview of Credit Risk Management

The students will:

- Discuss the default models of portfolio credit risk
- Present the key concepts of default models, describe the general characteristics, drivers of risk and credit event in the default models
- Explain the notion of default, probability of default, credit exposure, loss given default and recovery rate
- Explain how a credit downgrade or loan default affects the return of a loan

Application of Credit Risk Models in Business

The students will:

- Review the credit risk management building blocks
- Apply the Credit Risk Models in Business (Part I), in particular:
- Calculate the expected loss

- Examine the loan life cycle: underwriting, monitoring, model valuation and workout
- Price loans, examine the expected risk margin, capital margin, fund transfer price and business margin
- Discuss new trend in credit risk management

Credit Risk and Credit Derivatives

The students will:

- Discuss the rationale of credit derivatives markets
- Describe credit default swaps and their pricing
- Present credit structured products, including credit-linked notes and collateralized debt obligations
- Describe the CDO market
- Discuss the pros and cons of credit derivatives and structured products as well as recent regulatory developments

1 Course: Liquidity Risk Management

Instructor:

E-mail:

2 Course Description:

The course introduces the methods and challenges of liquidity risk management. The main focus is a perspective of financial institutions (in particular banks). Students analyze various sources of liquidity risk, discuss the relationship between liquidity and leverage, familiarize with the mechanics of the collateral market transactions, calculate the liquidity-adjusted VaR (LVaR), examine the bid-ask spread as a measure of liquidity and the liquidity at risk (LaR), discuss issues related to liquidity risk with respect to money market mutual funds as well as systematic funding liquidity risk with respect to leveraged buyouts, merger arbitrage, hedge funds, and convertible arbitrage hedge funds. The course format implies extensive reading, lectures, tutorials in the Bloomberg laboratory, homework assignments, in-class discussion and quizzes.

1 Course: Market Risk Management

Instructor:

E-mail:

2 Course Description:

The course presents methods for the measurement of market risk and hedging linear and nonlinear risk. The emphasis is put on the Value-at-Risk and its development. The students will become familiarized with various approaches for estimating VaR, parametric and non-parametric approaches for estimation of conditional volatility, including historical standard deviation, exponential smoothing, GARCH approach, the understanding of long horizon volatility/VaR and the process of mean reversion according to an AR(p) model, structural Monte Carlo, stress testing and scenario analysis methods for computing VaR. The participants will identify strengths and weaknesses of each approach and develop the skills to implement them in practice. The course format implies extensive reading, lectures, tutorials in the Bloomberg laboratory and computer classes, homework assignments, quizzes and the term project.

1 Course: Operational Risk in Banking and Finance

Instructor:

E-mail:

2 Course Description:

The course introduces the methods and challenges of operational risk management. The main focus is a perspective of financial institutions (in particular banks). Students familiarize with sources and types of operational risk, principles for the sound management of operational risk (Basel Committee), examine the loss distribution approach to modeling operational risk losses, its challenges and pitfalls as well as the challenges in validating capital models. The course format implies extensive reading, lectures, tutorials, homework assignments, in-class discussion and quizzes.