

Course unit: Models and Decisions

Beware! Under construction.

Course metadata

- Title in French: Modèles et Décisions
- Course code: tba
- ECTS credits: 8
- Type: ground course
- Teaching hours: 100h
- Period: September to mid-November
- Language of instruction: English and French
- Coordinator: tba
- Instructor(s): Mitra Fouladirad, Christophe Pouet, Clément Depoutre (BNP Paribas), Gaël Leboeuf (Aix-Marseille Université)
- *Last update 04/07/2022 by C. Pouet*

Brief description

This course unit is divided into four parts:

- **Risk and decision** (24 hours) taught by Clément Depoutre
- **Statistics and decisions** (24 hours) taught by Mitra Fouladirad and Christophe Pouet
- **Corporate finance** (24 hours) taught by Gaël Leboeuf
- **Data project: business issues understanding** (20 hours) taught by tba

Learning outcomes

- Understand how to take decision under uncertainty
- Learn how to assess risk and how to compare risky situations
- Learn how to model, estimate and predict time series
- Understand how capital structure affects the value of the firm

Course content

Risk and decision

1. Introduction: diversification and mutualization
2. Risk measure
3. Expected utility
4. Supply and demand: the price of risk
5. The value of information
6. Market & Counterparty Risk Management

Statistics and decisions

1. Reminder on probability: conditional expectation
2. Stochastic processes in discrete and continuous time
3. ARMA process: definition, existence, characteristics (autocovariance, partial autocovariance)
4. Estimation of ARMA processes: identification, parameters estimation and validation
5. Extensions: SARIMA, ARCH and GARCH processes

Corporate finance

1. The Corporation
2. Introduction to Financial Statements Analysis
3. Financial Decision Making and the Law of One Price
4. The Time Value of Money
5. Investment Decision Rules
6. Fundamentals of Capital Budgeting
7. Capital Markets and The Pricing of Risk
8. Optimal Portfolio Choice and the Capital Asset Pricing Model
9. Estimating the Cost of Capital
10. Capital Structure in a Perfect Market
11. Mergers and Acquisitions

Data Project: business issues understanding

tba

Bibliography

You can check the availability of the books below at [Centrale Méditerranée library](#).

1. Risk and decision
 - [course ebook](#)
 - Gollier, C., Schlesinger, H. and Eeckhoudt, L. (2005). Economic and Financial Decisions Under Risk. Princeton University Press
2. Statistics and decisions
 - course handout
 - Brockwell, P.J. and Davis, R.A. (1991). Time Series: Theory and Methods. Second Edition. New York: Springer Verlag.
 - Box, J.E.P. and Jenkins, G.M. (1970). Time Series Analysis; Forecasting and Control. San Francisco: Holden Day.
3. Corporate finance
 - Berk, J. and DeMarzo, P. (2019) Corporate finance. Prentice Hall; 5th edition.
 - [Aswath Damodaran at NYU](#): Course and video materials, formulas, spreadsheets, estimated risk premium, Cost of capital by sector and more.
 - [The Vernimmen handbook homepage](#): Course and video materials, formulas, spreadsheets, corrected exercises and case studies, newsletter, financial data on 7,000 listed companies and more.

- [AMF](#). Annual reports and legal informations on French listed companies.
- [Yahoo! Finance](#). Financial data on listed companies.

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