I. General:

This seminar provides an introduction to the fundamentals of finance theory. The primary focus of the course will be upon the individual's consumption/investment decision under uncertainty. Models studied will include single and multiple periods in both discrete and continuous time. Special emphasis will be placed upon the implications of investment decisions for the valuation of securities. The level of rigor involved in the seminar will be quite high. Students are expected to be prepared fully to discuss in depth the assigned readings for each class period. At this level, finance is largely self-taught; hence most of your learning will take place outside of class. Class time will be devoted to lectures and class discussions of assigned readings. Outside of class, discussion groups are encouraged. Upon completion of the class you will have developed the skills necessary to understand fully the theoretical foundation supporting most empirical work in financial economics.

II. Primary Text:


III. Supplementary Texts:


The primary text for the seminar is Huang and Litzenberger. However, students who may have some trouble with the primary text at first reading may wish to consult one or both of the supplementary texts. Additional advanced material is contained in Ingersoll. In addition to the text material, several journal articles will be assigned at appropriate points in the course.

IV. Grades:

There will be two closed book examinations, a midterm and a final. Each exam will count as one third of your grade. The remaining third of your grade will be based upon your performance in class and on problem sets, which will be assigned at various times during the semester.