Financial Theory

Course Outline
Academic Semester: 2025/26

1. General

School	**School of Finance and Statistics**		
Academic Unit	**Department of Banking and Financial Management**		
Level of Studies	**Undergraduate**		
Course Code	**XPΘEP01**		
Semester	**6th**		
Course Title	**Financial Theory**		
Idependent Teaching Activities		Weekly Teaching Hours	Credits
	Lectures	**4**	**7,5**
Course Type	**Compulsory. Background for all courses in Finance**		
Prerequite Courses			
Language of Instruction and Examinations	**Greek**		
Is the course offered to Erasmus Students?	**No**		
Url (Eclass)	**https://eclass.unipi.gr/modules/auth/courses.php?fc=64**		

2. Learning Outcomes

Learning Outcomes

Students will become familiar with the foundations of Financial Theory. This is a compulsory course that covers topics such as expected utility theory, portfolio choice under uncertainty, Markowitz theory, the foundations and use of the Capital Asset Pricing Model, and Arbitrage Pricing Theory. Emphasis is placed on the theoretical foundations.

General Competences

- Search for, analysis and synthesis of data and information, with the use of the necessary technology
- Adapting to new situations
- Decision-making
- Working independently
- Team work
- Working in an international environment
- Working in an interdisciplinary environment
- Production of new research ideas

3. Syllabus

Five Sections:

1. Expected Utility (axioms of investor’s behavior under uncertainty, definition of risk aversion, risk premium, certainty equivalent, Pratt-Arrow risk premium, standard utility functions)
2. Portfolio Choice (general setting, Arrow’s theorems)

3. Markowitz Theory (portfolio statistics, portfolio frontier, minimum variance frontier, efficient frontier, two fund separation theorem, optimal portfolio)
4. Capital Asset Pricing Model (assumptions, derivation, applications)
5. Arbitrage Pricing Theory (assumption, derivation, zero beta portfolios)

4. Teaching and Learning Methods - Evaluation

Delivery	**Face-to-face**	
Use of Information and Communications Technology		
Teaching Methods	**Activity**	**Semester Workload**
	Lectures	52
	Independent Study	135,5
	Σύνολο Μαθήματος	**187,5**
Student Performance Evaluation	Final Exam Interaction over lectures Problems solving	

5. Attached Bibliography

Suggested Bibliography

Main:

1. Danthine and J. Donaldson, 2005, Intermediate Financial Theory, 2nd Edition, Elsevier.
2. Copeland, J. Weston, and K. Shastri, 2005, Financial Theory and Corporate Policy, Addison-Wesley Publishing Company.
3. Pennacchi, 2008, Theory of Asset Pricing, Pearson Education.

Supplementary:

1. Černý, 2004, Mathematical Techniques in Finance: Tools for Incomplete Markets, Princeton University Press
2. E.J. Elton, M.J. Gruber, S.J. Brown, W.N. Goetzmann, 2003, Modern Portfolio Theory and Investment Analysis, John Wiley and Sons, 6th Edition.
3. Fama, 1976, Foundations of Finance: Portfolio Decisions and Securities Prices, Basic Books, Inc, Publishers

Related Academic Journals

The top finance journals