

**General Presentation, Finance
Course, M1 degree
2018-2019**

**University Paris 1 – Panthéon
Sorbonne
Sorbonne School of Management**



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- Lecturer Jean-Paul Laurent
 - *Professor of Finance, University Paris 1 Panthéon-Sorbonne*
- Also teaching in the « Finance Magisterium » and the master (M2 degree) « financial markets and risk management »
- Research topics within the business department research lab (PRISM – Sorbonne) and the Financial Regulation Lab (Labex ReFi) sponsored by French National Research Agency
 - *Credit and market risks under Basel Committee banking regulations*
 - Implementation of risk measures, modelling of default dependencies
 - *Counterparty credit risk associated with shifts in derivatives markets*
 - Central Counterparties, initial margins



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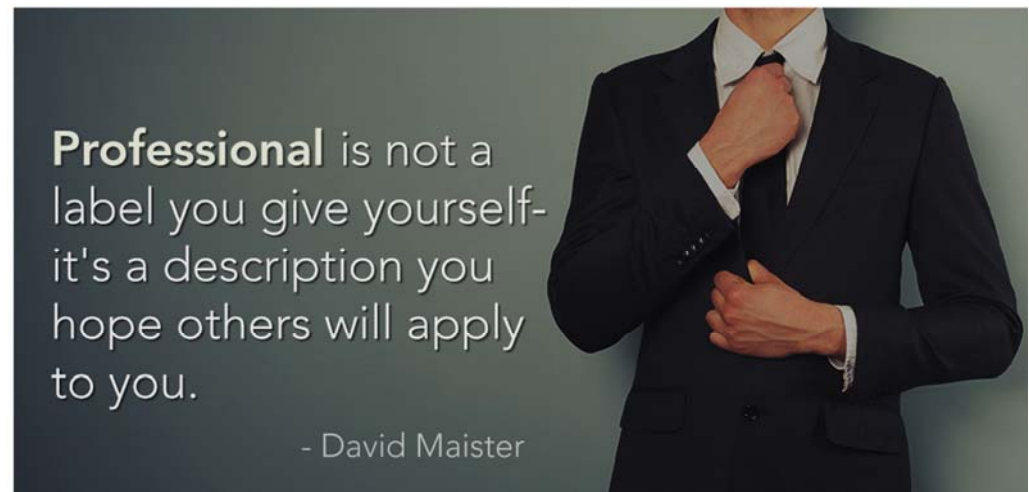
- M1 degree Finance course
 - *A first step into the world of finance before moving towards different M2 degrees within Sorbonne School of Management*
- About the lectures
 - *Practically oriented with a focus on basic financial modelling techniques*
 - *Intended to provide the fundamental ideas and concepts of modern finance*
 - Risk diversification, risk and return, market efficiency revisited, cost of capital, funding investments, ...



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- About the lectures (cont.)
 - *Professionalism : getting used to the toolbox routinely used within corporates and the financial sector (banks, insurance companies, investment funds)*



Guiding thread: Investments!

- From the standpoint of external (to the firm) investors
 - *Stockholders*
 - *Should buy shares issued by a firm?*
 - What about « expected » returns
 - Financial analysts and « fundamental value »
 - *Building up portfolios of assets*
 - Risk diversification
 - Trade-off between risk and return
- From the firm's perspective
 - *CEOs, CFOs*
 - *Investments' choices within the firm*
 - Cost of capital, WACC
 - *Mergers and acquisitions*



banca, exchange counter



Bricks and mortar

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Programme content, part 1: financial markets and investments

- Up to October 27th: sessions 1 to 6
 - *Returns, risk and diversification (1)*
 - *Portfolio choice and the efficient frontier (2)*
 - *The price of risk and the Capital Asset Pricing Model (CAPM) (3)*
 - *The CAPM for practioners: implementation issues: risk-free rate, estimation of betas, risk premia, (4)*
 - *Markets' efficiency, hand-on exercises (5)*
 - *Discounting cash-flows: which discount rate? (6)*



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Programme content, part 2: Corporate finance

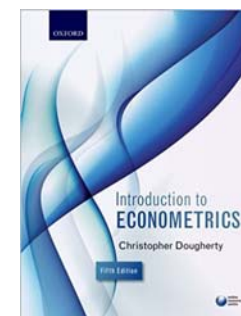
- Up to November, 10th (six sessions)
 - *Modigliani-Miller and firm's liabilities, leveraging the firm, tax benefits of debt, adjusted present value, hand-on exercises*
 - *Weighted Average Cost of Capital (WACC), properlyh connecting discount rates and cash-flows, hand-on exercises*
 - *Agency costs, trade-off theory of capital structure*
 - *Brief introduction to options' theory, asset substitution and moral hazard issues*
 - *The pecking order approach to financing investments*



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Organisation pratique

- Most useful prerequisites
 - *Financial Markets and Institutions*
 - Frederic S. Mishkin, Stanley Eakins, Pearson, eight edition, Pearson
 - *Financial Management course, lecture notes*
 - Caroline Emonet Fournier
 - *Statitics and Probability*
 - Expectation, variance, standard deviation, linear correlation coefficient
 - Least squares, regression analysis
 - *Introduction to Econometrics*, Christopher Dougherty, fith edition, 2016, Oxford University Press
 - *Standard financial mathematics*
 - Rates, discouting



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Course website, presentation slides

Link to course website

Supports de cours / transparents

- Enoncés TD 2016-2017

- Séances des 16 et 23 septembre 2016 [Présentation du cours](#) [Rentabilité](#) [Risque](#) [Diversification](#) [Compléments](#)

- Vidéos : [Professional Managers and Their Influence](#) (R. Shiller, 2011, [transcription](#)), [Portfolio Management](#) (OpenMIT, 2013) [transcription](#).

- Séances du 30 septembre et du 7 octobre 2016 [Frontière efficiente CML](#) [Beta et risque de marché](#)

[Compléments sur les Betas](#)

- Séances des 14 et 21 octobre 2016 [Médaf](#) [Médaf et Choix de Portefeuilles Médaf et Directions Financières](#)

- Séances du 4 et 18 novembre 2016 [Validation du Médaf](#), [Finance Comportementale](#), [Compléments sur le Médaf](#), [Exercices](#), [Comptabilité économique](#), [Structure financière \(Modigliani Miller\)](#)

- Séance du 25 novembre 2016 [Choix d'investissement \(VAN, TRI\)](#) [Compléments \(diagrammes de flux, taux actuariels obligataires, VAN et AOA\)](#), [Avantage fiscal de l'endettement](#), [Investissement financé par endettement \(VAR\)](#),

- Séance du 2 décembre 2016 [Modigliani Miller avec IS](#), [Valeurs économiques et comptables des passifs](#)

- Séance du 9 décembre 2016 [Coût Moyen Pondéré du Capital](#), [Valeurs comptables et économiques des actifs](#), [Coûts directs et indirects de la "faillite"](#), [Droits de propriété des actionnaires et des créanciers](#), [Augmentation du risque et choix d'investissement](#), [Compléments \(Miles et Ezzell\)](#)

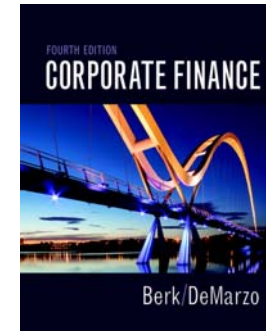
- Séance du 16 décembre 2016 [Coûts d'agence de la dette et stabilité financière](#), [théorie du compromis](#), [Surplomb de la dette](#), [Modèle structurel et options financières](#)

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Learning material

■ *Supplementary reference textbook*

- Corporate Finance d, Jonathan Berk and Peter deMarzo, fourth edition, 2017; Pearson



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General outline

- Lectures based on mainstream approach to finance
 - *Plus insights on best practices*
 - *And new lines of research (behavioral finance)*
 - *Connected to up-to-date issues (banking regulations)*
- Standard structure of a Friday's session
 - *Usually three phases (subsessions)*
 - *With dedicated topic and presentation slides*
 - *Whenever useful, training and exercises*
 - *Smooth mid-session break*

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Assessment

- Written end of term examination
 - *Based on lectures*
 - *Half of total mark*
 - *Examination exercises, exam questions, quiz*
 - *Past exams available on course website*
- End of term examination
 - *Test-time: 1h30 at the Sorbonne or connecte test centers*
 - *Scheduled time: January 2018 (TBC)*



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Tutorials

■ Teaching staff

- *Ongoing PhD in Finance and Finance professionals*
- *Loïc Brach, Hanane Dakhli, Patricia Dos Santos Mustapha Hjirt, Amine Loutia, Georgy Shornin, Idriss Tchapda*
- Eleven sessions starting the week of the 25th of September
 - *Mains goals*
 - Convert theory to practice
 - Master financial techniques
 - *Brief reminder of concepts,*
 - *Interactive exercices to be prepared ahead of tutorials*
 - *Bonus for ongoing work achievement*
 - *Two interim examinations*

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Tutors (Finance Course, M1 degree)



Hanane Dakhli



Georgy Shornin



Amine Loutia

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Tutors (Finance Course, M1 degree)



Mustapha Hjirt



Patricia Dos Santos



Idriss Tchapda



Loïc Brach

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Tutorial classes: eleven sessions

- *Financial Markets and Investments*
 - Theme 1: Return and risk diversification (S1)
 - Theme 2: Capital Market Line (S2)
 - Theme 3: Betas, Security Market Line, security characteristic line (S3)
 - Thème 4: Review of selected topics, supplementary exercises (S4 & S5)
 - Interim exam (S5)
- *Investments and the financing of the firm*
 - Theme 5: Investment decision, NPV, discount rate (S6)
 - Theme 6: Cost of capital and financial leverage (S7)
 - Theme 7: Cost of capital and financial leverage (S8)
 - Thème 8: Review of selected topics, supplementary exercises (S9)
 - Interim exam 2 (S10)
- *A brief on financial options*
 - Theme 9: call and put payoffs, two state pricing (S11)



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