



An Outline of Financial Economics

Satya R. Chakravarty

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A systematic treatment of theory and methodology of finance and economics, complete with numerical and applied examples, quantitative problems and questions.

“An Outline of Financial Economics’ provides a nice pedagogical exposition of the basic principles in financial economics, covering firm valuation and capital structure, fixed income securities and options, and portfolio theory and management. The most important concepts and results in the financial economics literature are well presented, including the Modigliani–Miller theorem in capital financing, hedging and dynamic replication in modern asset valuation principles, the Markowitz mean-variance portfolio model and the Sharpe–Lintner capital asset pricing model, and stochastic dominance. This text is well suited for science and engineering students at the undergraduate level, particularly those who would like to acquire some basic knowledge of financial economics at a higher level of quantitative reasoning than offered by standard business school texts in finance and investment.” —Professor Yue Kuen Kwok, Hong Kong University of Science and Technology

“An Outline of Financial Economics” presents a systematic treatment of the theory and methodology of finance and economics. The book follows an analytical and geometric methodology, explaining technical terms and mathematical operations in clear, non-technical language, and providing intuitive explanations of the mathematical results. The text begins with a discussion of financial instruments, which form the basis of finance theory, and goes on to analyze bonds – which are regarded as fixed income securities – in a simple framework, and to discuss the valuation of stocks and cash flows in detail. Highly relevant topics such as attitudes toward risk, uncertainty, the financial structure of a firm, stochastic dominance, portfolio management, option pricing and conditions for non-arbitrage are analyzed explicitly. Because of its wide coverage and analytical, articulate and authoritative presentation, “An Outline of Financial Economics” will be an indispensable book for finance researchers and undergraduate and graduate students in fields such as economics, finance, econometrics, statistics and mathematics.

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