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Office Hours: Wed 1:00 to 2:00 and by appointment

Course Description and Requirements

FIN 395 will review fundamental models/tools of Information Economics and Contract Theory and their applications in Corporate Finance. The class material will be divided in three main parts: Information in Financial Markets, Contract Theory and Topics in Corporate Finance.

There will be a midterm exam (40% of the grade) and a comprehensive final exam (60% of the grade) at the end of the semester. Several problem sets will be distributed. Problem sets are required work.

Lecture notes and required readings (denoted by an asterisk) are essential parts of the course. Other readings are not required, but are important for students who wish to do research in the corresponding area.

PART I: Information in Financial Markets


1. The Informational Role of Asset Prices


2. Information Asymmetry and Market Microstructure


**PART II: Contract Theory**


3. **Moral Hazard and Incentives Contracts**


4. Mechanism Design and Self-selection Contracts (Adverse Selection)


5. Incomplete Contracts and the Theory of the Firm


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**PART III: Corporate Finance**


7. The Effects of Asymmetric Information on Financial Policy


8. An Agency Perspective on Corporate Finance


*Tirole (2006) TCF Chapters 3, 4 and 5.


10. Financial Intermediation


