

Title of course	<b>Decision Theory in Finance</b>
Responsible instructor	Prof Dr Mareike Heinemann
Learning objectives	<ul style="list-style-type: none"> <li>▪ Be able to structure and visualise decision problems</li> <li>▪ Distinguish between different types of decision situations and identify the respective decision-making situation in the financial context</li> <li>▪ Analyse the decision-making of individuals not only in single-person decision problems but also in decision problems with multiple actors (Game Theory) and examine the decision-making of groups</li> <li>▪ Learn and examine the concepts, rules and methods of normative decision theory that deals with how decisions <i>should be</i> made and which action can be considered optimal from a rational perspective</li> <li>▪ Learn and examine the concepts, rules and methods of descriptive decision theory that deals with how decisions <i>are</i> actually made and in which way decision-makers may depart from rationality</li> <li>▪ Examine decision-making under certainty as well as under uncertainty and risk</li> <li>▪ Transfer the theoretically learned concepts, rules and methods to the context of financial decision-making, i.e. to financially relevant decisions of both, corporate decision-makers and investors</li> <li>▪ Improve the understanding of the decision-making of financial or corporate decision-makers and enhance the student's own judgement and decision-making</li> <li>▪ Draft recommendations for action on the basis of the concepts, rules and methods learned</li> </ul>
Course contents	<ol style="list-style-type: none"> <li>1. Introduction</li> <li>2. Single-person decision-making</li> <li>3. Multiple-actors decision-making</li> <li>4. Group decision-making</li> </ol>
Teaching methods	<ul style="list-style-type: none"> <li>▪ Lectures</li> <li>▪ Exercises</li> <li>▪ Hermeneutic discourses</li> <li>▪ Maieutic discourses</li> <li>▪ Discussion</li> <li>▪ Self-study</li> </ul>
Prerequisites	<p>There are no formal requirements. In particular, knowledge of the following compulsory modules is recommended:</p> <ul style="list-style-type: none"> <li>▪ Mathematics</li> <li>▪ Statistics</li> <li>▪ Finance and investment</li> </ul>
Suggested reading	<p>Preferably most recent edition:</p> <ul style="list-style-type: none"> <li>▪ Bermúdez, J.: Decision Theory and Rationality, Oxford University Press</li> <li>▪ Eisenführ, F., Weber, M. &amp; Langer, T.: Rational Decision Making, Springer</li> <li>▪ Peterson, M.: An Introduction to Decision Theory, Cambridge University Press</li> </ul> <p>Additional literature recommendations will be provided in class.</p>
Applicability	<p>This course is also applicable to other study programmes in Business or Economics offered by Schmalkalden University of Applied Sciences.</p>

Workload	Total workload: 150 hours, of them: <ul style="list-style-type: none"> <li>▪ Lecture: 60</li> <li>▪ Self-study: 90, of them: <ul style="list-style-type: none"> <li>▪ Course preparation (in particular reading): 30</li> <li>▪ Follow-up: 30</li> <li>▪ Exam preparation: 30</li> </ul> </li> </ul>
ECTS credit points and weighting factor	5 ECTS credit points; Weighting factor: a) Study programmes in Business and Economics and in International Business and Economics: 5/180 b) Study programmes in Economics and in Business Administration: 5/210
Basis of student evaluation	Comprehensive written examination, 60 minutes (100%)
Time	3 <sup>rd</sup> – 6 <sup>th</sup> /7 <sup>th</sup> semester
Frequency	Generally each academic year
Duration	One semester
Course type	Elective course
Remarks	Teaching language is English.