



1 Introduction

In this part, we present a large number of exercises that can accompany our book *Financial Economics*. They are sorted by the chapters of the book. Within each chapter, the exercises are roughly sorted by topics such that topics covered earlier in the chapter come first. A second criterion is by the difficulty (the easier exercises first). Many exercises are far from being “routine”. We think that exercises that just plug in numbers into formulas being learned by heart do not help students much to comprehend a topic. They also don’t help the lecturer when designing exams or homework assignments: such simple “plug-and-play” exercises are easier designed from scratch than copied from a textbook. Instead, we tried to design exercises that inspire thinking and encourage deeper understanding of the subject. Often there is not only one solution and sometimes students who do not find the optimal solution can at least try to get partial or approximative results. Teasing out the creativity of students in solving problems is very helpful for guiding them into making their own research and this is what we aim to achieve with our exercises.

That does not mean that our exercises are all very difficult and only solvable for top students. To the contrary, we hope that most students who put enough thought and effort into them will be able to solve them—at least partially.

Finally, we hope that the exercises do not only encourage thinking and help to understand the topics of our book, but also are interesting—and sometimes even fun—to solve!

Complete solutions to all exercises are given in the second part of this book.