

## Faculty Liberal Arts and Professional Studies Department of Economics

**Course:** AP/ECON 4400 3.0 A: Financial Economics

**Course Webpage:** <http://moodle.yorku.ca>

**Term:** Summer 1 Term 2019

### **Prerequisite / Co-requisite:**

**Prerequisites:** AP/ECON 2300 3.00 and AP/ECON 2350 3.00 or equivalents.

**Course credit exclusions:** AP/ADMB 3530 3.00, **AP/ADMS 3530** 3.00, GL/ECON 4310 3.00.

**PRIOR TO FALL 2009: Course credit exclusions:** AK/ADMS 3530 3.00, AK/ECON 4082 3.00, AS/ECON 4400 3.00, GL/ECON 4310 3.00, SB/FINE 2000 3.00, SB/FINE 3100 3.00.

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### **Course Instructor**

Name: Tsvetanka Karagyzova  
Office: 1082 Vari Hall  
Phone: 416-736-2100 Ext. 77028  
Office Hours: Tuesdays, 3:00 PM – 5:00 PM  
Email: [tkarag@yorku.ca](mailto:tkarag@yorku.ca)

**Teaching Assistant: TBA**

### **Time and Location**

Lectures TR 6:00 PM - 9:00 PM CB 129

### **Course Organization**

The course is organized in a lecture format; however, your questions, comments and feedback are welcome at any point of time, inside and outside the classroom. Technology is extensively used for delivering instruction in the classroom, making lecture notes available ahead of time, and introducing occasional videos and examples to illustrate the practical application of concepts learned in class.

Please make it a habit of checking the course website on Moodle on a regular basis for current course announcements, lecture handouts, practice questions, and assigned readings. Although **lecture notes** will be provided on Moodle, they **are not** meant to be a comprehensive treatment of the material, nor are they **a substitute for the textbook or class attendance**. **You are responsible to make up for the material covered in class if you miss a lecture. Please use your York email account for correspondence.**

## Course Objectives and Learning Outcomes

This applied course in financial economics aims to develop an understanding of the principles of modern finance theory and their application to the study of financial decisions, markets, instruments, and regulations. The course will provide a general body of knowledge needed for sound investment decisions and assist you in improving your quantitative skills as well as your ability to read critically and understand the financial press.

Upon completing the course you will be able to:

- identify and describe essential concepts pertaining to the investment environment
- identify and describe, compare and contrast, modern approaches to asset valuation
- interpret fundamental models of equilibrium asset pricing behavior
- quantify risk and diversify it optimally in investment portfolios
- identify underlying assumptions of financial models and assess the implications of changes to these assumptions
- apply concepts and models learned in class to solve financial problems in written mathematical form
- apply concepts and theories learned in class to real-world problems
- find, analyze, and communicate financial data effectively through the use of tables, graphs, and statistics
- apply economic models for making optimal investment decisions
- communicate quantitative and qualitative economic arguments clearly in writing
- identify the potential and limitations of financial theory in dealing with real-world problems

## Course Text / Readings

**Required Text:** Bodie, Zvi, Alex Kane, Alan J. Marcus, Stylianos Perrakis, Peter J. Ryan, and Lorne N. Switzer, *Investments*, 8<sup>th</sup> Canadian Edition, McGraw-Hill Ryerson, 2015.

The text is available for two-hour loan at the Scott Library reserves. For those on a tight budget, second-hand copies or the 7<sup>th</sup> Canadian edition as well as the U.S. edition of the text are widely available.

**Optional:** Ross, Stephen A., Randolph W. Westerfield, Jeffrey F. Jaffe, and Gordon S. Roberts, *Corporate Finance*, 7<sup>th</sup> Canadian Edition, McGraw-Hill Ryerson, 2015.

Financial Post, Wall Street Journal, Financial Times, Economist, and any other business news magazine or newspaper

Readings suggested on the course website on Moodle

## Evaluation

**1. A midterm exam (45 % of grade).** The midterm will be held on **May 21<sup>st</sup>** during class time.

**2. A comprehensive final exam (55 % of grade).** The final exam date, time and location will be set by the Registrar's Office during the final examination period, June 12-14.

The midterm and the final are both **closed book exams**. The final exam is cumulative with a greater emphasis on the material covered after the midterm. The course grade will be determined by the following rule, which takes into consideration exceptionally strong performance on the final exam:

**Course Grade= Max{(45% Midterm + 55% Final), 100% Final}**

**Concerns about apparent grading errors will be considered during the term, but requests for "extra credit" or other special considerations in assigning grades will be ignored.** Final course

grades may be adjusted to conform to Program or Faculty grades distribution profiles.

While homework problem sets will not be graded, you are encouraged to work on the assigned problems to reinforce the course material and prepare for exams.

### **Optional grading scheme**

You can opt to work in a group on projects that I will assign in class. There will be 3 group projects, and each project will be worth 8% for a maximum of 16%. If you choose to complete all three projects, the best two will count towards your final grade. You are responsible to form a group and each group should have no fewer than 4 people and no more than 5.

If you submit one project, your course grade will be determined by the following rule:

**Course Grade= Max{(41% Midterm + 51% Final + 8% Project), 92% Final + 8% Project}**

If you submit two (or three) projects, your course grade will be determined by the following rule:

**Course Grade= Max{(37% Midterm + 47% Final + 16% Projects), 84% Final + 16% Projects}**

Detailed instructions on each assignment will be provided in class at least a week before the due date.

## **Grading, Assignment Submission, Lateness Penalties and Missed Tests**

**Grading:** The grading scheme for the course conforms to the 9-point grading system used in undergraduate programs at York (e.g., A+ = 9, A = 8, B+ = 7, C+ = 5, etc.). Assignments and tests will bear a number grade that you can convert into a letter grade using the standard York University conversion table (e.g., A+ = 90 to 100, A = 80 to 90, B+ = 75 to 79, etc.). For a full description of York grading system see the York University Undergraduate Calendar - <http://calendars.registrar.yorku.ca/2010-2011/academic/index.htm>

**Assignment Submission and Lateness Penalties:** If you choose to work on the group projects, you agree that all group reports will be subject to submission for textual similarity review to Turnitin via Moodle for the detection of plagiarism. A hard copy of each assignment is to be handed in class and an electronic copy (one submission per group) to Turnitin by the due date. The electronic copy should be identical to the hard copy. In the exceptional case that you miss the deadline, your grade will be reduced by 10% for every day of delay.

**Missed Exams:** There will be **no make-up midterm exam** for any reason. The midterm exam is not optional. If you **miss the midterm without a documented excuse, you will receive a grade of zero**. For example, your course grade will be equal to 55% Final (assuming you chose not to work on the group projects).

If you **miss the midterm and you have a documented excuse**, your final exam will carry the extra weight (e.g., 100% instead of 55% if you choose not work on the group projects). In such a case, you must, 1) e-mail me as soon as possible; and 2) provide me with the appropriate documentation verifying the circumstances for the missed midterm exam within 2 weeks of the exam date (e.g., completed [Attending Physician's Statement form](#)).

For students who **miss the final**, the Department of Economics Guidelines on Deferred Standing apply (<http://econ.laps.yorku.ca/students/academic-policies-procedure/deferred-standing/>). In such cases, students should submit a completed Deferred Standing Agreement form together with the supporting documents to the Department of Economics to my attention. The date and time of the deferred exam will be set at a later date. Students who may require further extensions will have to submit a formal petition to the Faculty.

## Tentative Course Topics:

<b>Week</b>	<b>Topic</b>
Week 1	Ch. 1 The Investment Environment Ch. 2 Financial Markets and Instruments
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Week 2	Ch. 4 Risk and Return: Analyzing the Historical Record Ch. 5 Capital Allocation to Risky Assets
Week 3	Ch. 6 Optimal Risky Portfolios Ch. 7 The Capital Asset Pricing Model Ch. 9 Market Efficiency
Week 4	Midterm exam – May 21 <sup>st</sup> Ch. 12 Bond Prices and Yields
Week 5	Ch. 15 Macroeconomic and Industry Analysis Ch. 16 Equity Evaluation Models
Week 6	Ch. 17 Financial Statement Analysis Ch. 19 Option Valuation Capital Budgeting

*Note: The above list of topics is subject to change.*

## IMPORTANT COURSE INFORMATION FOR STUDENTS

All students are expected to familiarize themselves with the following information, available on the University Secretariat webpage - <http://secretariat-policies.info.yorku.ca>.

- Senate Policy on Academic Honesty and the Academic Integrity Website. I take academic integrity seriously. Copying, plagiarizing, or other forms of academic misconduct will not be tolerated. Any student caught engaging or assisting in such activities will be subject to academic discipline as outlined in the Senate Policy on Academic Honesty available at <http://www.yorku.ca/secretariat/policies/document.php?document=69>.
- Course requirement accommodation for students with disabilities, including physical, medical, systemic, learning and psychiatric disabilities
- Student Conduct Standards
- Religious Observance Accommodation

## Summer 2019 Sessional Dates

	<b>S1</b>	<b>S2</b>
<b>Course start date</b>	April 29	June 17
<b>Last date to add a course without permission of instructor</b>	May 3	June 21
<b>Last date to add a course with permission of instructor</b>	May 10	June 28
<b>Last date to drop course without receiving a grade</b>	May 27	July 15
<b>Reading Week</b>	N/A	N/A
<b>Study days</b>	June 11	July 30
<b>Course end date</b>	June 10	July 29
<b>Examinations</b>	June 12-14	July 31-Aug. 9

**\*\*Policy and Guidelines on Withdrawal from Course:** <http://secretariat-policies.info.yorku.ca/policies/withdrawn-from-course-w-policy-and-guidelines/>