



**Faculty of Liberal Arts and Professional Studies  
Department of Economics**

**Course:** AP/ECON 4400 3.0 M: Financial Economics (**In-person**)

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

**Term:** Winter Term 2024

**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.

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**Course Instructor**

Name: Tsvetanka Karagyozova  
Office: 1082 Vari Hall  
Office Hours: Wednesdays, 2:30 PM – 3:30 PM  
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**Teaching Assistant:** TBA

**Time and Location:** Lectures                      MW 4:00 PM - 5:30 PM                      ACW 204

<b>Course Organization</b>
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The course is organized in a lecture format; however, your questions, comments and feedback are welcome at any point of time, both inside and outside the classroom. Technology is extensively used for delivering instruction and interactive activities in the classroom and via the course website on eClass.

Please make it a habit of checking the course website on eClass on a regular basis for current course announcements, lecture handouts, practice quizzes and exercises, and assigned readings. Although **lecture notes** will be provided on eClass ahead of time, they **are not** meant to be a comprehensive treatment of the material, nor are they **a substitute for the textbook or class attendance**.

Class attendance is expected of all students. **You are responsible to make up for the material covered in class if you miss a lecture.**

On eClass, there is a separate discussion board for each topic we cover in class as well as for general and course administration questions. There are economies of scale for me and a positive externality for your classmates if you post all questions, comments, and thoughts about the course content to the relevant eClass discussion board rather than e-mailing me. It is also a great learning experience for you to answer questions your classmates have posted. I monitor these boards and respond on a regular basis.

Please note that all course materials posted on eClass are proprietary. **You do not have permission to duplicate, copy and/or distribute any course materials outside of the class** (these acts can violate not only copyright laws but also [FIPPA](#)).

**Please use your York email account for correspondence.** Do not forget to sign your name.

## Expanded Course Description

ECON 4400: Financial Economics and its continuation, ECON 4410: Corporate Finance, are applied courses in corporate finance, which aim to develop an understanding of the theoretical foundation of modern finance and make the theory come to life through contemporary examples. In ECON 4400, we focus on two major questions faced by the firm:

- 1) What projects should the firm invest in?
- 2) What sources of financial capital can the firm use for its investment activities?

The course will assist you in improving your quantitative skills as well as your ability to read critically and understand the financial press. Topics include net present value, capital budgeting, efficiency of capital markets, treatment of risk, valuation of equity and debt, and financial strategy.

## Course Objectives and Learning Outcomes

Upon completing this course, you will be able to:

- describe and analyze basic accounting statements
- define and apply modern approaches to asset valuation
- describe, compare and contrast the major capital budgeting methods
- identify the limitations of each capital budgeting method
- identify relevant inputs for a capital budgeting problem
- display awareness of behavioral theories of human decision-making
- describe and interpret fundamental theories of asset pricing and their implications for corporate decision making
- identify underlying assumptions of financial theories 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 case studies and real-world problems
- identify the potential and limitations of financial theory in dealing with real-world problems

## Course Text / Readings

**Required Text:** Ross, Stephen A., Randolph W. Westerfield, Jeffrey F. Jaffe, and Hamdi Driss, *Corporate Finance*, 9<sup>th</sup> Canadian Edition, McGraw-Hill Ryerson, 2022.

Print text: ISBN10: 1260881377 | ISBN13: 9781260881370

eBook (180-day access): ISBN10: 1265017549 | ISBN13: 9781265017545

The text is available for a two-hour loan at the Scott Library reserves. For those on a tight budget, second-hand copies or previous Canadian editions as well as U.S. editions of the text are widely available.

### **Optional:**

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

Readings, videos and interactive activities posted on the eClass course website.

## Evaluation

There are two grading schemes for this course. The first scheme is based on two midterm exams, quizzes, and a final exam. Alternatively, you have the option to participate in a group project, in which case the second grading scheme applies. Your **course grade will be determined by the higher of your grades**, considering both the grading scheme with projects and the grading scheme without projects.

I strongly recommend considering the second grading scheme. Teamwork skills are valued both in the professional world and academia. If you plan to apply to a graduate business program, your ability to collaborate in a team is a criterion that your references may have to evaluate.

### Grading Scheme 1:

- 1. Two Midterm Exams (35% of grade).** The midterms will be held on **Feb. 5<sup>th</sup>** and **March 11<sup>th</sup>** during class time. The lower of the two grades will be dropped. Only the higher of the two midterm grades will count towards your course grade.
- 2. Online quizzes (5% of grade).** For each chapter we cover in class, there will be an online quiz on eClass. The online quizzes are timed and navigation between questions is sequential. Each quiz will be assigned upon covering the chapter in class and you will have one week to complete the quiz at a convenient time for you. You can attempt each quiz as many times as you wish. The highest grade will count towards your course grade. The lowest quiz grade will be dropped.
- 3. Comprehensive Final Exam (60% of grade).** The final exam date, time and location will be set by the Registrar's Office during the final examination period, April 10 - 26.

The midterms and the final are **closed-book, closed-notes exams**. The final exam is cumulative with a greater emphasis on the material covered after the second midterm. The course grade will be determined by the following rule:

$$\text{Grade} = 35\% \text{ Best Midterm} + 5\% \text{ Quizzes} + 60\% \text{ Final}$$

### Grading Scheme 2:

There will be 3 group projects, but only the best two projects count towards your course grade. Each project is worth 5%. You are responsible to form a group and each group should have no fewer than 4 people and no more than 5. All group members will receive the same grade on the project. **Individual projects will not be graded.** Detailed instructions on the group assignments will be provided in class.

By taking this course, you agree that all group projects will be subject to submission for textual similarity review to Turnitin via eClass for the detection of plagiarism.

If you opt to work on the group projects, the grade components are as follows:

- 1. Midterm Exam (30% of grade)**
- 2. Online Quizzes (5% of grade)**
- 3. Group Projects (10% of grade)**
- 4. Comprehensive Final Exam (55% of grade)**

The rules for Grading Scheme 1 apply to the online quizzes, midterm, and final exams.

If you submit the group projects, your grade will be determined by the following rule:

$$\text{Grade} = 30\% \text{ Best Midterm} + 5\% \text{ Quizzes} + 10\% \text{ Projects} + 55\% \text{ Final}$$

**Homework problem sets** will be made available on eClass. They will not be graded but you are encouraged to work on the assigned problems to reinforce the course material and prepare for exams. I tend to select some of these problems for your exams.

**Up to one bonus point** will be assigned if you are on the margin (e.g., your course grade computed based on the above grading scheme is 79) for regular and insightful posts on the eClass **discussion boards** and participation in

**in-class activities.** There is no make-up for such activities. Final course grades may be adjusted to conform to Program or Faculty grades distribution profiles.

**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.**

## 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

<https://calendars.students.yorku.ca/2023-2024/grades-and-grading-schemes>

## Missed Exams and Deadlines

### Quizzes

There will be no extensions to the quiz deadlines for any reason. The lowest quiz grade will be dropped to account for any unexpected circumstances.

### Midterms

There will be **no make-up midterm exams** for any reason. If you miss a midterm exam, you need to email me within one week of the exam date, providing a detailed explanation for your absence. While a doctor’s note or an Attending Physician’s Statement is not mandatory, it is highly recommended. If you miss a midterm exam due to non-medical reasons, you must submit documentation to excuse your absence.

Given that only the better of the two midterm grades counts towards your course grade, missing one midterm will not negatively impact your course grade. However, if you **miss both midterm exams without a valid reason, you will receive a grade of zero for the midterm component.** For example, assuming you choose not to participate in the group projects, your course grade will be equal to 5% Quizzes + 60% Final.

In the unlikely event that you **miss both midterm exams for a valid reason and you provide documented excuse for each midterm**, your final exam will carry the extra weight (e.g., 95% instead of 60% if you choose not to participate in the group projects).

### Final

For students who **miss the final**, the [Department of Economics Guidelines on Deferred Standing](#) apply. In such cases, students should submit a Mach form request online at

<https://www.yorku.ca/laps/econ/undergraduate-programs/academic-resources/department-policies/deferred-standing/>

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.

## Academic Honesty and Integrity

It is our joint responsibility to strive to maintain academic integrity to the highest extent possible. Academic integrity is the pillar of higher education. Breaches of academic integrity such as cheating on exams affect all of us adversely, including the cheaters - your degree is as valuable as the reputation for academic honesty of our institution.

Familiarize yourself with the meaning of academic integrity by completing SPARK's Academic Integrity module at the beginning of the course. All instances of academic dishonesty in this course will be reported to the appropriate university authorities, and can be punishable according to the Senate Policy on Academic Honesty.

Always remember that I am working on your side, making sure you understand the meaning and importance of academic integrity. If you ever have any questions or concerns, please do not hesitate to speak with me.

The following quote by Madison Sarratt (1891-1978), an academic and administrator at Vanderbilt University, sums up beautifully my personal stance on academic integrity:

Tomorrow I will give you two examinations, one in trigonometry and one in honesty. I hope you will pass them both, but if you must fail one, let it be trigonometry, for there are many good people in this world today who cannot pass an examination in trigonometry, but there are no good people in the world who cannot pass an examination in honesty.

## Tentative Course Topics

Week	Topic
<b>Jan. 8</b>	Ch. 1 Introduction to Corporate Finance
<b>Jan. 15</b>	Ch. 2 Accounting Statements and Cash Flow
<b>Jan. 22</b>	Ch. 5 The Time Value of Money
<b>Jan. 29</b>	Ch. 6 How to Value Bonds and Stocks
<b>Feb. 5</b>	Ch. 6 How to Value Bonds and Stocks <b>Midterm Exam</b>
<b>Feb. 12</b>	Ch. 7 Net Present Value and Other Investment Rules
<b>Feb. 19</b>	<b>Reading week, no classes</b>
<b>Feb. 26</b>	Ch. 8 Net Present Value and Capital Budgeting
<b>March 4</b>	Ch. 9 Risk Analysis, Real Options, and Capital Budgeting
<b>March 11</b>	Ch. 10 Risk and Return: Lessons from Market History <b>Midterm Exam</b>
<b>March 18</b>	Ch. 11 Risk and Return: The CAPM
<b>March 18</b>	Ch. 12 An Alternative View of Risk and Return: The Arbitrage Pricing Theory
<b>March 25</b>	Ch. 13 Risk, Return, and Capital Budgeting End-of-term group project presentations
<b>April 1</b>	Catch up and review for the final exam

*Note: The above list of topics is tentative and subject to change. Exam dates are firm.*

## 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 <http://calendars.registrar.yorku.ca/2015-2016/policies/honesty/index.htm>
- Accommodation for students with disabilities, including physical, medical, systemic, learning and psychiatric disabilities
- Student Conduct Standards
- Religious Observance Accommodation

**Course ADD/Drop Deadlines\***

	<b>W 2024</b>
Last date to add a course <b>without permission</b> of instructor (also see Financial Deadlines)	Jan. 22
Last date to add a course with permission of instructor (also see Financial Deadlines)	Jan. 31
Last date to drop a course without receiving a grade (also see Financial Deadlines)	March 11
<b>Course Withdrawal Period (withdraw from a course and receive a grade of “W” on transcript – see note below)</b>	<b>March 12-April 8</b>

*\*For more dates and information, see: <https://registrar.yorku.ca/enrol/dates/2023-2024/fall-winter>*