

Principles of Finance

[ENG]

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Course Overview and Introduction



Why Study Finance? [\[Join the Poll\]](#)

Why Study Finance?



*"Finance is not merely about making money.
It's about achieving our deep goals and protecting the fruits of our labor.
Therefore, it's about achieving the good society"*

Robert J. Shiller

2013 Nobel Memorial Prize Winner in Economic Sciences

Why Study Finance?

- Financial principles help **individuals** manage
 - Investments
i.e. stocks, bonds, real estate, etc.
 - Saving
*i.e. which savings account,
4% compounded yearly or 3.5% monthly compounding?*
 - Consumption
i.e. Pay for a MacBook for \$1,000 now or \$1,060 in one year?
 - Loans
i.e. which loans should I prioritize paying off first based on their interest rates?

Why Study Finance?

- **Companies** use financial principles for
 - Investment (capital expenditure) decisions
 - : Expansion, acquisition, modernization of tangible and intangible assets.
 - i.e. Tesla Motors begins battery cell production at its new Gigafactory in Nevada*
 - i.e. Blockbuster turned down the offer to acquire Netflix for \$50 million in 2000*
 - Financing decisions
 - : Decision on raising money (capital), from where and how much (for the investments and operations)
 - i.e. equity financing, debt financing*

Course structure

- Financial markets and institutions
- Financial decision-making and the law of one price
- The time value of money
- Mid-semester review (mock mid-term exam, or lecture)
- Interest rates
- Valuing bonds
- Valuing stocks
- Risk and return
- Final review (mock final exam)

How This Course Will Work

- Lectures and tutorials
- Problem sets for hands-on learning (turn in your work but not graded)
- Final exam to assess understanding
- Class attendance and active participation is highly encouraged
- Evaluation: 60% final exam, 20% problem sets, 20% participation
 - Tutorials will be done by TA (Runyu Qi: runyu.qi@usi.ch)

Textbooks [earlier editions totally ok]

Corporate Finance by Jonathan Berk and Peter DeMarzo (5th edition) (**Main textbook**)

Fundamentals of Corporate Finance by Richard A. Brealey, Steward C. Myers, and Alan J. Marcus (11th edition)

Career objective? [\[Join the Poll\]](#)