



Lahore University of Management Sciences

ECON 261 – Principles of Finance

Summer 2024

To understand how to navigate course outlines, consult: How to Use a Course Outline (<http://surl.li/gpvuw>)

Instructor	Shaheryar
Room No.	
Office Hours	
Email	shaheryar.1@duke.edu
Telephone	
Secretary/TA	
TA Office Hours	
Course URL (if any)	
Support Services	LUMS offers a range of academic and other services to support students. These are mentioned below, and you are encouraged to use these in addition to in-class assistance from course staff. For a complete list of campus support services available for you click here (https://advising.lums.edu.pk/#supportservices)

Course Basics				
Credit Hours	4			
Lecture(s)	Nbr of Lec(s) Per Week	4	Duration	120 minutes
Recitation/Lab (per week)	Nbr of Lec(s) Per Week		Duration	
Tutorial (per week)	Nbr of Lec(s) Per Week		Duration	

Course Distribution	
Core	
Elective	Yes
Open for Student Category	All
Close for Student Category	Students who have taken Fin 100

COURSE DESCRIPTION
<p>This course provides an introduction to fundamental concepts in finance. The main objective is to develop a set of tools for analyzing the investment and financing decisions of individuals and firms. More specifically, the course is organized around three main concepts.</p> <ul style="list-style-type: none"> • Present Value: Real and financial assets can be represented by streams of cash flows. This portion of the course studies how to describe and value these assets. • Diversification and Risk: Assets differ in their risk level. This portion of the course provides a systematic framework for analyzing the tradeoff between risk and return and for incorporating its implications into the valuation of assets. • Investment Decisions: Individuals and firms must often make decisions about how to allocate their capital to various investments. This portion of the course studies the implementation of all of the course's tools in several financial decision-making contexts. <p>We will also talk about how to value start-ups or new firms which do or do not have comparable. Moreover, towards the end of the semester we will also briefly talk about how the financial development of an economy impacts its macroeconomic aggregates in the context of Pakistan.</p>

COURSE PREREQUISITE(S)
<ul style="list-style-type: none"> • Math 101- Calculus 1 • •

COURSE OBJECTIVES



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Learning Outcomes	
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Grading Breakup and Policy	
Assignment(s): Home Work: Quiz(s): 40% (We will have 3 Quiz, lowest grade will be dropped.) Class Participation: 10% Attendance: Midterm Examination: Project: Final Examination: 50% (Final exam will be comprehensive.)	

Examination Detail	
Midterm Exam	Yes/No: No Combine Separate: Duration: Preferred Date: Exam Specifications:
Final Exam	Yes/No: Yes Combine Separate: Duration: Exam Specifications:

Campus supports & Key university policies
<p>Campus Supports</p> <p>Students are strongly encouraged to meet course instructors and TA's during office hours for assistance in course-content, understand the course's expectations from enrolled students, etc. Beyond the course, students are also encouraged to use a variety of other resources. (Instructors are also encouraged to refer students to these resources when needed.) These resources include Counseling and Psychological Services/CAPS (for mental health), LUMS Medical Center/LMC (for physical health), Office of Accessibility & Inclusion/ OAI (for long-term disabilities), advising staff dedicated to supporting and guiding students in each school, online resources (https://advising.lums.edu.pk/advising-resources), etc. To view all support services, their specific role as well as contact information click here</p>



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(<https://advising.lums.edu.pk/#supportservices>).

Academic Honesty/Plagiarism

LUMS has zero tolerance for academic dishonesty. Students are responsible for upholding academic integrity. If unsure, refer to the student handbook and consult with instructors/teaching assistants. To check for plagiarism before essay submission, use similarity@lums.edu.pk. Consult the following resources: 1) Academic and Intellectual Integrity (<http://surl.li/gpvwb>), and 2) Understanding and Avoiding Plagiarism (<http://surl.li/gpvwo>).

LUMS Academic Accommodations/ Petitions policy

Long-term medical conditions are accommodated through the Office of Accessibility & Inclusion (OAI). Short-term emergencies that impact studies are either handled by the course instructor or Student Support Services (SSS). For more information, please see Missed Instrument or 'Petition' FAQs for students and faculty (<https://rb.gy/8sj1h>)

LUMS Sexual Harassment Policy

LUMS and this class are a harassment-free zone. No behavior that makes someone uncomfortable or negatively impacts the class or individual's potential will be tolerated.

To report sexual harassment experienced or observed in class, please contact me. For further support or to file a complaint, contact OAI at oai@lums.edu.pk or harassment@lums.edu.pk. You may choose to file an informal or formal complaint to put an end to the offending behavior. You can also call their Anti-Harassment helpline at 042-35608877 for advice or concerns. *For more information: Harassment, Bullying & Other Interpersonal Misconduct: Presentation* (<http://surl.li/qpvwt>)

COURSE OVERVIEW			
Week/ Lecture/ Module	Topics	Recommended Readings	Objectives/ Application
1	<ul style="list-style-type: none"> Time Value of Money 	BD Ch. 3.1-3.3, Ch. 4, and Ch. 5.1-5.2	Introduction to financial decision-making Compounding and future value Discounting and present value Net present value (NPV) More frequent compounding
2	<ul style="list-style-type: none"> Investment Decisions and Capital Budgeting 	BD Ch7.1-7.4 and Ch. 8	Net Present Value (NPV) rule for capital budgeting Other capital budgeting considerations Alternatives to the NPV rule
3	<ul style="list-style-type: none"> Stock Valuation 	BD Ch. 9.1-9.4	Financial securities Dividend-discount model Investment and growth Terminal values and multiples
4	<ul style="list-style-type: none"> Bond Valuation 	BD Ch. 5.3 and Ch. 6.1-6.3	Term structure Bonds and yields No-arbitrage pricing Interest rate risk Forward rates Nominal and real rates Economics of the term structure
5	<ul style="list-style-type: none"> Risk and Return: Measurement Risk and Return: Portfolio Implications 	BD Ch. 10.1-10.6 BD Ch. 11.1-11.8 and Ch. 12.1-12.3	Risk and return: Insights from history Common measures of risk and



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	<ul style="list-style-type: none"> Risk and Return: Capital Asset Pricing Model 		return Using historical returns Diversification
6	<ul style="list-style-type: none"> Cost of Capital and Valuation Market Efficiency and Asset Management 	BD Ch. 12.4-12.5 BD Ch. 13	Cost of capital for levered firms Using comparable firms Cost of capital for a division or project Multiples method to value a project Index investing Market efficiency and the CAPM The performance of active portfolio management

Textbook(s)/Supplementary Readings

Berk, Jonathan, and Peter DeMarzo, Corporate Finance, 5th edition (BD)