

FINC-UB9002L01, Foundations of Finance

NYU London

Instructor Information

- Dr Dirk Nitzsche
- By arrangements - Monday and Wednesday, after 6pm. Other times can also be arranged.

Course Information

- Mondays and Wednesdays, 16.45 to 18.00
 - Bedford Square, Room TBC
- Prerequisites: (1) STAT-UB 103 Statistics for Business Control and Regression/Forecasting Models OR STAT-UB 1 Statistics for Business Control (4 credit) plus STAT-UB 3 Regression/Forecasting (2 credit) OR equivalent AND (2) one of the following: ECON-UB 1 Microeconomics OR ECON-UA 2 Economic Principles II, OR ECON-UA 5 Introduction to Economic Analysis, AND (3) ACCT-UB 1 Principles of Financial Accounting AND (4) At least Sophomore Standing.

Course Overview and Goals

The aim of this module is to introduce and to develop the basic concepts and tools used in modern finance. This module provides an introduction to financial markets and the different financial assets, including equities, fixed income securities and derivatives. It outlines different valuation models for projects (or other physical investments), equities, fixed income securities, options and futures. A key focus of this module is the assessment of risk and return and the introduction of some ground breaking finance theory, such as diversification and portfolio theory and the CAPM.

This course integrates Excel spreadsheet modeling and in particular the Excel optimizer Solver to demonstrate some computer based application of some financial concepts introduced in this module. It also focuses on current developments, such as the financial crises of 2007, the Euro crisis and various other news stories.

Upon Completion of this Course, students will be able to:

- Students should be able to understand and apply basic finance concepts used in business.
- Students should be able to understand and assess current developments in finance and financial markets.
- Students have been exposed to jargon used in finance and gained the knowledge to make better financial decisions.

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Course Requirements

Grading of Assignments

The grade for this course will be determined according to these assessment components:

| Assignments/ Activities | Description of Assignment | % of Final Grade | Due |
|----------------------------|--|------------------------|-----|
| Mid-term test | 75 minutes mid-term test | 25% | |
| Excel project | Excel project – open book. Practical application of some of the theory studied | 25% | |
| Classic exam | 2 hour closed book exam paper. | 50% | |

Failure to submit or fulfill any required course component results in failure of the class

Grades

At NYU Stern, we strive to create courses that challenge students intellectually and that meet the Stern standards of academic excellence. To ensure fairness and clarity of grading, the Stern faculty have adopted a grading guideline for core courses with enrollments of more than 25 students in which approximately 35% of students will receive an “A” or “A-” grade. In core classes of less than 25 students, the instructor is at liberty to give whatever grades they think the students deserve, while maintaining rigorous academic standards.

Letter grades for the entire course will be assigned as follows:

| Letter Grade | Percent | Description |
|--------------|---------------------------|---|
| A | Example: 93.5% and higher | Grade A: Students needs to show an outstanding understanding of the financial concepts and theories introduced in this course together with applications. Knowledge of the limitations of the theory and practical issues should also be understood |
| B | Example: 82.5% - 87.49% | Grade B: Students needs to show a good understanding of the financial concepts and theories (and its limitations) introduced in this course |

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| Letter Grade | Percent | Description |
|--------------|---------------------------|--|
| | | together with applications and practical issues |
| C | Example: 72.5% - 77.49% | Grade C: Students should demonstrate a basic understanding of different financial instruments and markets and its interaction |
| D | Example: 62.5% - 67.49 | Grade D: <i>Limited</i> knowledge of financial issues and concepts. Finance is probably not for this student |
| F | Example: 59.99% and lower | Grade F : Shows no understanding of basic concepts taught in this module and no interest in the subject. Student is advised not to pursue a career in finance.work] |

Course Materials

Required Textbooks & Materials

There is no required textbook for this course as the course material distributed to students is quite substantial.

However, some students might find it useful to read the topics in a textbook again. A very easy textbook which covers most (if not all) of the topics in this course is the recommended textbook used in New York. It is however not necessary to have the latest edition of this textbook as the changes from edition to edition are minimal. Many other textbook cover the same material and are also suitable.

- In New York Bodie, Z., Kane, A. and Marcus, A.J. '**Essentials of Investments**', McGraw-Hill is the main textbook. [Insert textbook or material name]

Optional Textbooks & Materials

- Bodie, Z., Kane, A. and Marcus, A.J. '**Essentials of Investments**', McGraw-Hill (any edition from the 5th edition would be sufficient, but if possible the latest edition would be desirable) – main textbook also used in New York.
- Cuthbertson, K. and Nitzsche, D. (2008) '**Investments**', J. Wiley, 2nd edition

Resources

- Access your course materials: [NYU Classes](https://nyu.edu/its/classes) (nyu.edu/its/classes)

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- **Databases, journal articles, and more:** [Bobst Library](http://library.nyu.edu) (library.nyu.edu)
- **NYUL Library Collection:** [Senate House Library](http://catalogue.libraries.london.ac.uk) (catalogue.libraries.london.ac.uk)
- **Assistance with strengthening your writing:** [NYU Writing Center](http://nyu.mywconline.com) (nyu.mywconline.com)
- **Obtain 24/7 technology assistance:** [IT Help Desk](http://nyu.edu/it/servicedesk) (nyu.edu/it/servicedesk)

Course Schedule

| Session/Date | Topic | Reading | Assignment Due |
|--------------|---|-------------------|--|
| Session 1: | Financial Markets, Investors and the Investment Process | See lecture notes | |
| Session 2: | Financial Markets, Investors and the Investment Process | | |
| Session 3: | Valuation Techniques | See lecture notes | |
| Session 4: | Valuation Techniques | | |
| Session 5: | Measuring Risk and Return | See lecture notes | |
| Session 6: | Measuring Risk and Return | | |
| Session 7: | Equity Investments | See lecture notes | |
| Session 8: | Equity Investments | | |
| Session 9: | Portfolio Theory | See lecture notes | |
| Session 10: | Portfolio Theory | | |
| Session 11: | Mid Term Test | | Mid-term test being held during the class. |
| Session 12: | Excel Demonstration : Calculating Risk, Return and Portfolio Theory | | |
| Session 13: | Asset Allocation and International Diversification | See lecture notes | |
| Session 14: | Asset Allocation and International Diversification | | |

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| Session/Date | Topic | Reading | Assignment Due |
|--------------|---|---|------------------|
| Session 15: | Capital Asset Pricing Model | See lecture notes | |
| Session 16: | Capital Asset Pricing Model | | |
| Session 17: | Asset Management and Performance Measures | See lecture notes | |
| Session 18: | Asset Management and Performance Measures | | |
| Session 19: | Fixed Income Securities 1 | See lecture notes | |
| Session 20: | Fixed Income Securities 1 | | |
| Session 21: | Fixed Income Securities 2 | See lecture notes | |
| Session 22: | Fixed Income Securities 2 | | |
| Session 23: | Introduction to Derivatives | See lecture notes | |
| Session 24: | Introduction to Derivatives | Showing of a Video explaining derivatives, options, and options pricing | |
| Session 25: | Introduction to Options | See lecture notes | |
| Session 26: | Introduction to Options | | |
| Session 27: | Introduction to Futures | See lecture notes | |
| Session 28 | Introduction to Futures | | |
| | Closed Book Exam | | Closed Book Exam |

Co-Curricular Activities

- None

Classroom Etiquette

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NYUL Academic Policies

Attendance and Tardiness

- Key information on NYU London's absence policy, how to report absences, and what kinds of absences can be excused can be found on our [website](http://www.nyu.edu/london/academics/attendance-policy.html) (<http://www.nyu.edu/london/academics/attendance-policy.html>)

Assignments, Plagiarism, and Late Work

- You can find details on these topics and more on this section of our NYUL [website](https://www.nyu.edu/london/academics/academic-policies.html) (<https://www.nyu.edu/london/academics/academic-policies.html>) and on [the Policies and Procedures section of the NYU website](https://www.nyu.edu/academics/studying-abroad/upperclassmen-semester-academic-year-study-away/academic-resources/policies-and-procedures.html) for students studying away at global sites (<https://www.nyu.edu/academics/studying-abroad/upperclassmen-semester-academic-year-study-away/academic-resources/policies-and-procedures.html>).

Classroom Conduct

Academic communities exist to facilitate the process of acquiring and exchanging knowledge and understanding, to enhance the personal and intellectual development of its members, and to advance the interests of society. Essential to this mission is that all members of the University Community are safe and free to engage in a civil process of teaching and learning through their experiences both inside and outside the classroom. Accordingly, no student should engage in any form of behaviour that interferes with the academic or educational process, compromises the personal safety or well-being of another, or disrupts the administration of University programs or services. Please refer to the [NYU Disruptive Student Behavior Policy](#) for examples of disruptive behavior and guidelines for response and enforcement.

Disability Disclosure Statement

Academic accommodations are available for students with disabilities. Please contact the Moses Center for Students with Disabilities (212-998-4980 or mosescsd@nyu.edu) for further information. Students who are requesting academic accommodations are advised to reach out to the Moses Center as early as possible in the semester for assistance.

Instructor Bio

Dirk Nitzsche affiliation with New York University in London goes back to 2001 when he started teaching the module Foundations of Finance (previously known as Foundations of Financial Markets).

Currently he works for Cass Business School (City University, London) which he joined as a Senior Lecturer in Finance in October 2004. Before joining Cass Business School he spent 6 years at the Business School at Imperial College, London. At Cass Business School, Dirk is also the Associate Dean for International Relations.

After completing his Ph.D. in economics at the University of Newcastle, he worked in the Department of Economics at the University of Newcastle between 1994 and 1997, before joining City University Business School in 1997 and Imperial College in 1998. Dirk has written numerous articles in refereed journals and co-authored three textbooks in finance: Investment: Spot and Derivative Markets (2001),

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Financial Engineering: Derivatives and Risk Management (2001) and Quantitative Financial Economics (2nd edition)(2004). In 2008 the second edition of the Investment textbook was published.

His research interests can broadly be described as asset pricing and efficiency of financial markets and more recently he analyses the performance of unit trusts and hedge funds. His recent research addressed the question whether the performance of mutual funds can be explained by luck or skill and calculations about the False Discovery Rate of well performing mutual funds. The new project looks at aspects of persistence of mutual fund performance.

A list of publications and more information about the textbooks can be found on the home page <http://www.cass.city.ac.uk/experts/d.nitzsche>