

MBAS 821: Lecture 1

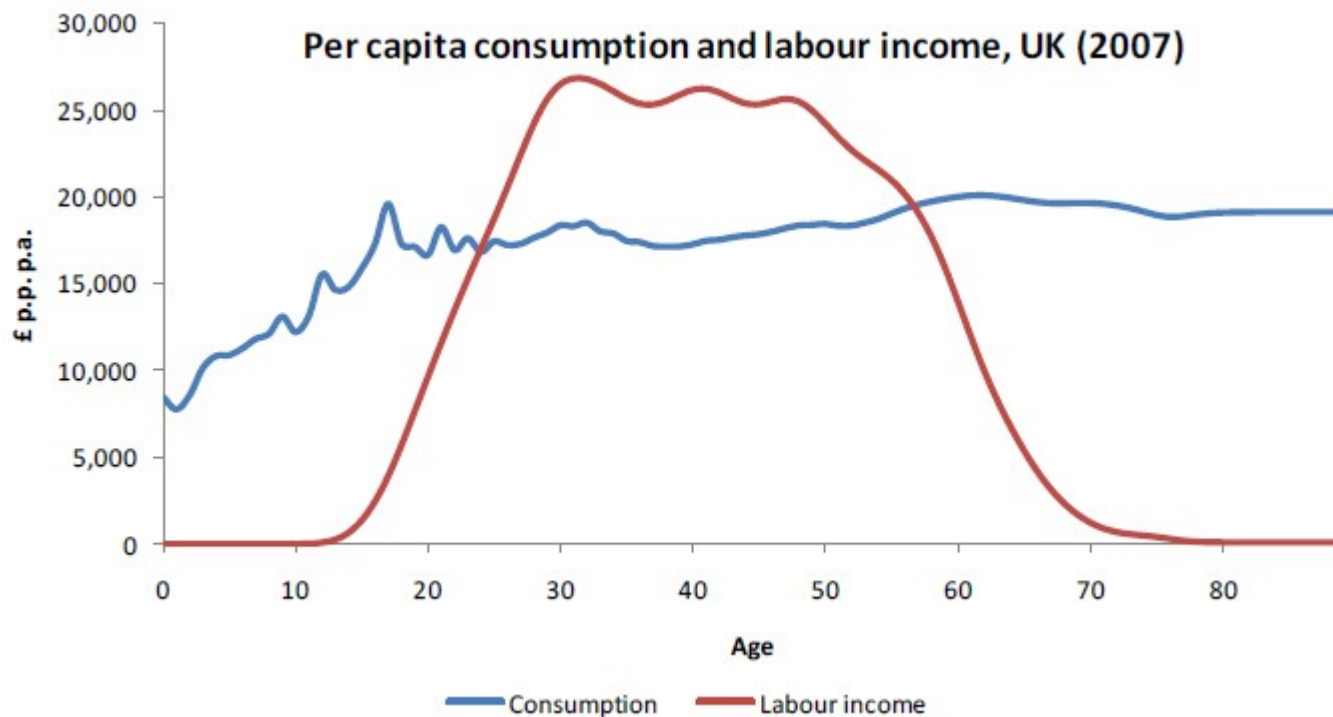
Introduction to Finance

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Overview of Financial Markets

- Why do we need financial markets?
 - A simple two period model of financial markets
 - The investment rule
 - The separation principle
- Readings: Chapter 1
- Textbook Practice Problems:
 - Insert practice problems here

Lifetime Consumption Smoothing



Consumption Over Time Example

- Suppose you have \$50,000 in income each year
- Market Interest rate = 10%
- If there is the opportunity for investment in a project that costs \$30,000 that pays off \$32,000 in period 1.
- Should the project be undertaken?