

## Guidelines for midterm exam – Principles of Finance (FIN200)

Hi everyone,

Here are some guidelines on the types of questions and topics you can expect to observe on the midterm exam. You will have three types of questions:

- Multiple choice questions asking you about different topics (listed below), with some involving calculations as well. Some multiple choice questions might have more than one correct option to choose, and this will be clearly communicated in the question.
- Mini-essay questions, where you need to explain an idea, define something, mention pros and cons, compare different instruments, etc.
- Numerical questions, where you need to calculate a few things based on the material we have covered in class and in the homework.

Of course all the topics covered in class are quite important, but try to specifically focus on the following when you revise for the test. I have tried to put them in sequential order (as they appear on the slides):

- Role of financial intermediaries in the markets: asset transformation
- Definition of universal banking, commercial banking, corporate banking, wholesale banking, etc.
- Overdrafts, term loans, project finance, syndicate lending, liquidity crisis, capital adequacy crisis, bank balance sheet.
- Concepts and definitions covered in investment banking and insurance, pension and collective investment.
- Money markets slides are all quite important, especially the ones highlighted and emphasized in class.
- Mathematical tools are quite important! Future value, Present value, Annuities, Perpetuities.
- Bond markets slides are quite important as well. You'll need to know different types of bonds and the basics of bonds valuation as we will see in the revision class and homework assignments.

When revising these topics, please have in mind that I am NOT going to ask you to:

- List all different services provided by a financial institution, etc., but I might ask you to compare different instruments and/or write pros and cons;
- Remember numbers (e.g. market volume), rankings (e.g. which market is larger or which company has a bigger share), names, etc.;
- Write about regulations or regulatory bodies;
- Write about the history of a specific market or product;
- Write the list of credit ratings and their symbols! Of course I will require you to know what investment grade and junk bonds are though!

Basically I am not going to ask you crazy questions I used to hate when I was in your shoes ☺ You need to have a good knowledge of basic concepts and understand the differences between different products, markets, institutions, etc., but I am not going to ask you crazy impossible questions!

It's not feasible to provide you with sample multiple choice questions as they are only misleading at best. For the essay type questions, expect something similar to the homework exercises you have been doing for assignment 1, but of course a bit shorter and on a wider array of topics. And for

numerical questions, expect questions very similar to the examples we have gone through in class and those which I have given you for homework. I will also elaborate on some of these points when we meet in class. I am also uploading some sample numerical questions

See you soon,

Anvar