

FIN200

Principles of Finance

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| UNDERGRADUATE SCHOOL SPRING 2018 |  |
| INSTRUCTOR Anvar Abdullaev |  |
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| CLASS ROOM AND SCHEDULE Please see your myCourses page for the room assignment and schedule of classes. Any changes will be indicated on myCourses. |  |
| OFFICE HOURS Please see your myCourses page and make sure you send an email to book your appointment in advance to avoid unnecessary waits. You should take full advantage of this opportunity to meet with your professor outside the prescribed class period. |  |
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| EMAIL anvar.abdullaev@faculty.hult.edu |  |
| **OTHER CONTACT INFORMATION** |  |
| Please email me for an appointment during the office hours. Also please email me directly rather than sending notifications on myCourses as I will respond to emails much faster. |  |



**CONTEXT & DESCRIPTION**

Managing any modern corporation is impossible without a thorough understanding and knowledge of financial markets, financial institutions and financial decision making processes. Principles of Finance aims at providing the students with the required knowledge of the finance industry and its most important participators, the financial environment and functions of different financial markets, and last but not least, principles of financial decision making including financing, investment and financial management in companies. The course would be useful for students interested in any business concentration and also sets the ground for more advanced courses in the finance concentration.



**OBJECTIVES**

On completion of this course, students should understand and be able to do the following:

1. Understand the operations, services, and functions of banks and insurance companies, including their oversight and regulation.

2. Understand the fundamental roles of different financial markets in the economy and the importance of different institutions in these markets.

3. Understand how different types of funds operate and work, and the types of benefits they provide.

4. Understand money market instruments and perform simple calculations like time value of money, present and future values, etc.

5. Know how bond markets operate and be familiar with fundamentals of bond pricing and valuation.

6. Know how equity markets operate and be familiar with fundamentals of equity pricing and valuation.

7. Understand investment risk and return.

8. Understand the basics of capital budgeting and project evaluation.

9. Know how operational and financial leverage affect profitability in companies and how to calculate these measures.



**SPECIFIC LEARNING OUTCOMES**

On completion of this course students should:

(1) Obtain a good understanding of different financial institutions [e.g. banks, insurance companies, funds, etc.] and markets [e.g. money markets, bond markets, equity markets, derivative markets, etc.] and how they operate;

(2) Understand different financial instruments [e.g. money market instruments, bonds, equities and derivatives] and perform basic financial calculations and valuations;

(3) Understand and evaluate the relationship between risk and return as well as the basics of capital budgeting techniques and capital structure.



**TEACHING AND LEARNING**

The course will be delivered in 80 minute sessions twice per week, so the students need to work hard to master the material covered in the course as we proceed. Our aim will always be to apply the techniques and principles that we study to different cases in the realm of business operations.

Students are expected to spend at least twice as much as the class time on exercises, reading relevant materials, preparation for classes and tests. The class time is mainly used to deliver lectures and to go through examples and group assignments. All presentation slides will be placed on MyCourses several days before the relevant sessions, and in-class exercises will be available to students after the class. Lectures are clearly linked to the required reading material and all students are expected to briefly review the material before coming to the class and review the material and do the assignments after the class.



**METHOD AND WEIGHTING OF ASSESSMENT**

**In-Class Quizzes**

**Due Date:** Continuous

**Weighting (% of final grade):** 8%

**Learning Outcome(s) Assessed: 1-3**

**Description:** Class preparation will be assessed with a short multiple-choice question quizzes for up to 8% of final grade.

**Grading Criteria:** Quizzesare graded based on a number of correct answers.



**Assignments 1 & 2**

**Weighting (% of final grade):** 6% each (12% total)

**Learning Outcome(s) Assessed:** The first assignment will cover the material covered in class during the first half of the term, and the second assignment covers the rest.

**Description of Assignment:** Each assignment consists of a series of essay-type questions and numerical exercises. The questions are going to be posted after each session when you gain the required knowledge to answer them. You would ideally answer the questions related to each class soon after attending the class and before the following session. You will then gather all their answers and submit them in one file online before the submission deadline. Further instructions are going to be provided to you in class.

**Grading Criteria (What constitutes a good assignment?):** Each assignment’s grade will be calculated based on your answers to its exercises, where all exercises carry the same weight. For example, if the first assignment includes 14 exercises, your grade is based on your answers to these 14 exercises and each of these exercises will have the same contribution towards your grade from that assignment. The assignment will be composed of essay and numerical questions. The answers should be clear, within the word limit required and directly address the issue asked for. Partial credits will be given in case the approach is correct but the final answer is wrong. Further explanation will be provided in class for each assignment.



**Midterm Exam**

**Weighting (% of final grade):** 30%

**Learning Outcome(s) Assessed:** The midterm exam will cover topics discussed during the first half of the course. A series of sample questions will be made available to the students (and covered in class) to assist them in their preparation for the test. The questions will be in line with the assignments and the exercises discussed in class.

**Description of Assignment:** The midterm exam will include a series of multiple choice questions followed by several mini-essay and quantitative questions.

**Grading Criteria (What constitutes a good assignment?):** Each question will be marked separately and the students will receive some points for partially correct solutions and answers. The total grade will be calculated by summing up the scores for each question.



**Final Exam**

**Weighting (% of final grade):** 50%

**Learning Outcome(s) Assessed:** The final exam will mostly cover the topics which are discussed during the second half of the course but will also include several topics from the first 5 weeks which are going to be highlighted specifically prior to the exam. A series of sample questions will be made available to the students (and covered in class) to assist them in their preparation for the test. The questions will be in line with the assignments and the exercises discussed in class.

**Description of Assignment:** The final exam will include a series of mini-essay and quantitative questions.

**Grading Criteria (What constitutes a good assignment?):** Each question will be marked separately and the students will receive some points for partially correct solutions and answers. The total grade will be calculated by summing up the scores for each question.



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| **ASSIGNMENT SUMMARY** |  | **EVALUATION CRITERIA** | |  |  |
| Assignment Weighting |  | **Description** | **Grade** | **Grade Points** | **Percent Scale** | |
| In-Class Quizzes: 8% |  | **Very High Quality** | **A** | **4.00** | **90-100** | |
| Assignment 1 & 2: 12% |  | **Good** | **B** | **3.00** | **80-89** | |
| Midterm Exam : 30% |  | **Adequate (Pass)** | **C** | **2.00** | **70-79** | |
| Final Exam : 50% |  | **Inadequate** | **D** | **1.00** | **60-69** | |
|  |  | **Fail** | **F** | **0.00** | **0-59** | |



**SPECIAL POLICIES FOR THIS COURSE**

You should read the Student Handbook to ensure you understand the School’s policies and procedures. Remember that:

* Students arriving more than five minutes late will not be admitted to class
* A late assignment will be penalized 10% per day, including weekends.
* If a student has below 70% attendance by the end of the semester, and if there are no approved mitigating circumstances, the student will receive an F grade for their final assessment deliverable or exam.

You are also expected to conduct yourself in a professional manner. That means mobile phones must be switched off and in your bags. You must be prepared to take notes, whether on a laptop or on paper, and should bring paper and pen to class for this purpose. The professor reserves the right to ask you to close your laptop at any time.



**ESSENTIAL READING**

Arnold, G. (2012). Modern Financial Markets & Institutions: a practical perspective. Financial Times Press (ISBN: 9780273730354)

Keown, A.J., J. D. Martin, and J.W. Petty (2014). Foundations of Finance Plus New MyFinanceLab with Pearson eText, 8/E. Pearson: UK (ISBN-13: 9780133422990)



**RECOMMENDED READING**

Mishkin, F.S., and S. Eakins (2014). Financial Markets and Institutions, 8/E. Pearson Education: UK. (ISBN-13: 9780133423624)

Halpern K. (2004), Understanding Finance: Money, Capital, and Investments, Pearson.

Mayo, H. B. (2012), Basic Finance: An Introduction to Financial Institutions, Investments and Management, 10/E, CENGAGE.

Melicher, R. W., (2011), Introduction to finance: markets, investments, and financial management, 14/E, John Wiley

Pamela, P.D. and Fabozzi J., (2010), The Basics of Finance: An Introduction to Financial Markets, Business Finance, and Portfolio Management, Wiley.

Pilbeam, K. (2010), Finance and financial markets, 3/E, Palgrave Macmillan Busman



**OTHER SOURCES OF INFORMATION**

Hult students are encouraged to use the resources and the on-site databases at Hult.

**COURSE SCHEDULE**



**WEEK ONE**

**Class 1**

Introduction (ARN Ch1)

**Class 2**

The Value of The Financial System (ARN Ch1)



**WEEK TWO**

**Class 1**  
The Value of The Financial System (ARN Ch1)

**Class 2**

Banking: Retail and Corporate (ARN Ch2)



**WEEK THREE**

**Class 1**

Banking, ctd (ARN Ch2)

**Class 2**

Banking, ctd (ARN Ch2)



**WEEK FOUR**

**Class 1**  
Investment Banking and Other Banking (ARN Ch3)

**Class 1**  
Investment Banking and Other Banking, ctd (ARN Ch3)

Insurance, Pensions and Collective Investments (ARN Ch4)



**WEEK FIVE**

**Class 1**

Insurance, Pensions and Collective Investments, ctd (ARN Ch4)

**Class 2**  
Money Markets (ARN Ch5)

Mathematical Tools for Finance (ARN Ch5)



**WEEK SIX**

**Class 1**

Money Markets (ARN Ch5)

**Class 2**

Bond Markets (ARN Ch6)



**WEEK SEVEN**

**Class 1**  
Bond Markets (ARN Ch6)

**Class 2**

Equity Markets (ARN Ch8)



**WEEK EIGHT: READING WEEK**



**WEEK NINE**

**Class 1**  
Revision

**Class 2**

Midterm Exam



**WEEK TEN**

**Class 1**  
Futures Markets (ARN Ch10)

**Class 2**

Futures Markets (ARN Ch10)



**WEEK ELEVEN**

**Class 1**

Options (ARN Ch11)

**Class 2**

Options (ARN Ch11)



**WEEK TWELVE**

**Class 1**

The Managing and Measurement of Risk and Return (KMP Ch6)

**Class 2**

The Managing and Measurement of Risk and Return (KMP Ch6)



**WEEK THIRTEEN**

**Class 1**

Capital-Budgeting Techniques and Practice (KMP Ch10)

**Class 2**  
Capital-Budgeting Techniques and Practice (KMP Ch10)



**WEEK FOURTEEN**

**Class 1**  
Revision

**Class 2**  
Revision



**EXAM WEEK**

**FINAL EXAM:** To be scheduled