Course Description

This course is a master-level introduction to Finance. The course starts with the concepts of “time value of money” and “no arbitrage”. The course concepts are then applied to valuation of stocks, bonds, projects and firms. By the end of this first part of the course, I expect students to master the techniques necessary to evaluate streams of cash flows over time and have a thorough understanding of the issues associated with the timing of different cash flows.

Financial decision making often involves risk and uncertainty, the focus of the second part of the course. This part is devoted to developing the necessary insight and techniques for financial decision making under uncertainty. To this end, we will discuss relevant measures of risk and use these measures to develop a workable theory that relates different levels of risk to different levels of expected return on
financial and physical assets. We will then integrate the knowledge of dealing with cash flow that come in at different points of time and with different degrees of risk to devise capital budgeting techniques in the presence of risk.

This course relies heavily on Excel.

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Course Goals

The objective of this course is to introduce you to the basic principles of Finance. The topics in this courses are essential for financial managers and financial economists. Among other things, this courses will help you understand the basic principles of how corporations make financial decisions, familiarize you with how capital markets work, and give you a good foundation for the more advanced courses in finance.

For those of you who already took undergraduate level finance, you will be familiar with some of the topics, although the level I require in these courses is higher than that of undergraduate courses.

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Grading

20% - Four assignments

80% - Final Exam

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Reading List

- Corporate Finance, Berk and DeMarzo, 5th edition. Wiley. (Available online through the library).
- The Wall Street Journal. You got an online access to the journal. I expect you to read the journal regularly. I will discuss some of the current topics in class.