

FINANCIAL ECONOMICS (01:220:413)

Fall 2016

Instructor:	Mingmian Cheng	Time:	Tue & Thur 1:10-2:30 PM
Email:	mcheng@econ.rutgers.edu	Location:	AB-1180

Course Description:

(This course was formerly 01:220:393. You cannot get credit for both 393 and 413.)

We mainly target on fundamental topics of corporate finance and financial investment. Students who complete the course should understand both theoretical and practical side of modern financial study. Topics include financial decision making process, capital asset pricing model, present value models, financial statements and ratio analysis, bond valuation, annuity valuation, stock valuation, long term financial policy, the efficient market hypothesis, international finance, etc.

Office Hours: Tue & Wed 3:00-4:00 PM or by appointment

Office: NJH 404

Texts:

Main: Fundamentals of Corporate Finance, 10th ed, Stephen Ross, Randolph Westerfield, Bradford Jordan. McGraw-Hill. (Rentals, used copies or e-book versions if you prefer. You can even use 9th ed.)

Reference: Investments, 10th ed, Bodie, Z., A. Kane and A. Marcus, McGraw Hill. (You don't have to buy this one.)

Prerequisites: (This is an upper level elective)

(220:320) Intermediate Micro and (220:322) Econometrics.

Final Exam: (Cumulative)

(Mon) Dec. 19 12:00-3:00 PM

Grading:

Assignment (15%) Midterm I (20%)

Final (45%) Midterm II (20%)

(*Midterms are non-cumulative)

Grade ranges are as follows:

90-100 = A, 85-89.99 = B+, 80-84.99 = B, 75-79.99 = C+, 70-74.99 = C, 60-69.99 = D,
0-59.99 = F

Attendance:

Students are expected to attend all classes. If you expect to miss one or two classes because of illness or a family emergency, please use the University absence reporting website: <http://sims.rutgers.edu/ssra/> to indicate the date and reason for your absence. An email is automatically sent to me.

Academic Integrity:

Any student caught cheating on an exam will be immediately dismissed and receive a failing grade for the

course without exception. According to RU policy, the incident will be reported to the Office of Student Conduct and Academic Integrity. Cheating during an exam includes, but is not limited to, consulting any notes or text such as the use of a prohibited electronic device, communicating with another student, a physical exchange with another student, or making a concerted effort to view another student's exam, or to share your own. If you wish to view a comprehensive description, then please refer to the Office of Student Conduct website. (<http://academicintegrity.rutgers.edu/academic-integrity-policy/>)

Make-up Exam Policy:

- A make-up for midterms will be given if and only if: You miss the exam because of illness, injury, or family emergency and you give me documentation that proves the legitimacy of your missing an exam.
- There will be no make-up for missed assignments.
- There will be no extra credits whatsoever.

Schedules in Order:

1. Chapter 1: Introduction to Corporate Finance
2. Chapter 2: Financial statement, taxes, and cash flow
3. Chapter 3: Working with financial statements
4. Chapter 4: Long-term financial planning and growth
5. Chapter 5: Introduction to valuation: the time value of money
6. Chapter 6: Discounted cash flow valuation
7. Midterm I (Chapter 1-6)
8. Chapter 7: Interest rates and bond valuation
9. Chapter 8: Stock valuation
10. Chapter 9: Net present value and other investment criteria
11. Chapter 10: Making capital investment decisions
12. Chapter 12*: Some lessons from capital market history
13. Chapter 11 (**Investment**): The Efficient Market Hypothesis
14. Midterm II (Chapter 7-12)
15. Chapter 13*: Return, risk and the security market line
16. Chapter 14: Cost of Capital
17. Chapter 15: Raising capital
18. Chapter 16: Financial leverage and capital structure policy
19. Chapter 21*: International Finance

(* means we may use additional materials from the book Investment as well.)