

ECO 4368-001: Introduction to Financial Economics

Syllabus

Schedule: Tue, Thu @ 2:00-3:20 pm, Dallas Hall 306
Instructor: Mr. Jian Hu
Email: jianh@smu.edu
Office Hours: Tue, Thu @ 3:20-4:20 pm, Lee 301-O
Course Documents: All course documents will be downloadable in [Blackboard](#) system.

Prerequisites

ECO 3301, ECO 3355, ACCT 2311, ITOM 2305 or STAT 2301 (ECO 4368 cannot be taken if student has taken FINA 3320.) I also expect that you are familiar with Microsoft Excel.

Required Textbook

Brigham and Ehrhardt (hereafter referred to as BE): [Financial Management: Theory and Practice, 12th Edition](#) ([Online Resource](#) for this book), Southwestern Press. ISBN-10: 0324422695, ISBN-13: 978-0324422696. Study guide for the textbook is recommended but not required.

Required Financial Calculator

A [Texas Instruments BAII Plus](#) financial calculator is required (see [Guidebook](#) for instructions).

Course Description

This course provides an introduction to basic concepts of financial management and corporate finance. The main objective is to provide an understanding of the financial decisions that a firm has to make. While doing that, we will also go into details of security valuation, especially in the case of debt financing (bonds) and equity financing (stocks).

Student Learning Outcome

1. Understand the basic concepts in financial economics, like PV, FV, IRR, NPV, etc.
2. Know how to use CAPM and other financial models to price stocks and bonds.
3. Apply corporate finance tools to make financial decisions.

Grading Policy

There is a total of 100 points for the course, with the following breakdown:

Attendance and Participation	5%
Quizzes	10%
Assignments	15 %
Midterm I	20%
Midterm II	20%
Final Exam	30%

1. **Attendance and Participation:** This course is challenging and math-intensive, hence attendance is necessary absolutely mandatory. An attendance sheet will be distributed during

each class session. 5% of your final course grade will be based on your attendance and participation in class discussions. Please come to class on time and stay to the end. If you have to leave early, let me know before the class and leave quietly. Leaving the class early will not be taken as “attendance” for any reason.

2. **Quizzes:** A few of 5-minute quizzes will be held in class at randomly chosen class meetings without early notice. They will be only related to material that has been covered in class recently. There is NO make-up quiz for any reason. No quiz will be excused under any circumstance.
3. **Assignments:** Assignments must be turned in at the beginning of or prior to the class time on the specific due date. Late assignments will NOT be accepted and graded for any reason, but the lowest assignment score will be dropped from your overall 15% assignment grade.
4. **Exams:** There will be two midterm exams and one final exam. The final exam is cumulative and will cover all the course materials. All exams will be closed-book and in-class. A one-sided cheat-sheet is permitted.

Make-up Exam Policy

There is NO make-up quiz for any reason. For the midterms and final, NO make-up exam will be offered. In extreme cases of documented and verified medical emergency or family tragedy, it is your responsibility to schedule a make-up exam with the instructor before the day of the original exam time. Evidence like official note from the physician has to be presented to the instructor in person 24 hours before the exam, or no make-up exam will be given.

Tentative Course Outline

1. Risk and Return (Chapter 6)
2. Diversifiable versus Market Risk (Chapter 6)
3. Security Market Line and Capital Asset Pricing Model(Chapter 6)
4. Time Value of Money (Chapter 2)
5. Bonds and Their Valuation(Chapter 5)
6. Interest Rate and Maturity Risk on Bonds (Chapter 5)
7. Midterm I (Sep 29th, Tuesday)
8. Optimal Portfolio Problem (Chapter 7)
9. Common Stock Valuation (Chapter 8)
10. Common Stock Valuation and CAPM (Chapter 8)
11. Stock Valuation with Non-Constant Dividend Growth (Chapter 8)
12. Midterm II (Nov 5th, Thursday)
13. Cost of Capital (WACC) (Chapter 10)
14. Capital Budgeting (Chapter 11)
15. Cumulative Final Exam (Dec 8th, Tuesday)

Honor Code

All work undertaken and submitted in this course is governed by the University’s honor code. If any student is unclear about the University’s honor policy – either in general or its particular application in this course – please contact me immediately.

Disability Accommodations

Students needing academic accommodations for a disability must first contact Ms. Rebecca Marin, Coordinator, Services for Students with Disabilities (214-768-4557) to verify the disability and establish eligibility for accommodations. They should then schedule an appointment with the professor to make appropriate arrangements. (See University Policy No. 2.4.)

Religious Observance

Religiously observant students wishing to be absent on holidays that require missing class should notify their professors in writing at the beginning of the semester, and should discuss with them, in advance, acceptable ways of making up any work missed because of the absence. (See University Policy No. 1.9.)

Excused Absences for University Extracurricular Activities

Students participating in an officially sanctioned, scheduled University extracurricular activity should be given the opportunity to make up class assignments or other graded assignments missed as a result of their participation. It is the responsibility of the student to make arrangements with the instructor prior to any missed scheduled examination or other missed assignment for making up the work. (University Undergraduate Catalogue.)

Important Dates

September 9, Wednesday: Follows Monday Class Schedule.

November 10, Tuesday: Last day to drop a course.