

ECO 4368-001: Introduction to Financial Economics

Course Syllabus

Lectures: Mon, Wed, Fri @ 2:00-2:50 pm, Umphrey Lee 242
Instructor: Jian Hu
Office: Umphrey Lee 301-O
Office Hours: Mon, Wed @ 9:30-11:00 am or by appointment
Phone: 214-768-3394
Email: jianh@smu.edu
Course Webpage: <http://people.smu.edu/jianh/teaching.htm>

TA: Mr. Wonjo Chung
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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 have the basic Microsoft Excel skills.

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. It is important that you have this textbook to help you understand the course material and to finish the assignments. Study guide for the textbook is *not* required.

Financial Calculator (Optional)

It is recommended that you have a [Texas Instruments BAI Plus](#) financial calculator (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).

Grading

Quizzes: A random number of 5-minutes (up to 10-minutes) quizzes will be held in class at randomly chosen class meetings. They will be only related to material that has been covered in class recently. The lowest quiz score will be dropped from your overall 10% quiz grade.

Assignments: There will be homework assignments that are designed to help you understand the material and improve your performance in the exams. Late assignments are NOT accepted unless a valid reason for the delay can be provided and substantiated. The lowest assignment score will be dropped from your overall 20% assignment grade.

Exams: There will be two midterm exams and one final exam. All exams will be closed-book and in-class. The final exam is cumulative. There is a total of 100 points for the course, with the following breakdown:

| | |
|-------------|------|
| Quizzes | 10% |
| Assignments | 20 % |
| Midterm I | 20% |
| Midterm II | 20% |
| Final Exam | 30% |

Attendance Policy

Attendance is absolutely mandatory. There will be random quizzes, which will count for 10% of your course grade. This is incentive for you to attend each class session.

Make-up Exam Policy

There is NO make-up for quizzes. For the midterms and final, NO make-up exams will be offered except in cases of documented medical or family emergency. Evidence like official note from the physician is required. No incomplete grades will be given except in case of a documented medical emergency that prevents a student, who has performed satisfactorily in the midterm exams and homework assignments, from appearing in the final exam and, in addition, also prevents him/her from taking a makeup exam prior to the university deadline for submission of grades.

Important Dates to remember

This schedule is only tentative, which means that I might change the class and exam schedule if necessary.

August 25, Monday: First day of classes.

September 1, Monday: University Holiday - Labor Day.

September 2, Tuesday: Follows Monday Class Schedule.

September 29, Monday: Midterm I (2:00-2:50PM).

October 13-14, Monday and Tuesday--Fall Break.

October 31, Friday: Midterm II (2:00-2:50PM).

November 26, Wednesday: No classes.

November 27-28, Thursday- Friday: University Holidays – Thanksgiving.

December 5, Friday: Last day of instruction.

December 12, Friday: Comprehensive Final Exam (3:00- 6:00 PM)

Tentative Course Outline

This outline represents the order of topics to be covered. Please note this is only tentative course outline, so it is subject to change as we go.

1. Risk and Return (Chapter 6)
2. Diversifiable versus Market Risk (Chapter 6)
3. Security Market Line and CAPM(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. Optimal Portfolio Problem (Chapter 7)
8. Midterm I (September 29, Monday, 2:00-2:50 PM)
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. Cost of Capital (WACC) (Chapter 10)
13. Choice between External and Internal Equity (Chapter 5) [*Optional*]
14. Midterm II (October 31, Friday, 2:00-2:50 PM)
15. Capital Budgeting (Chapter 11)
16. Cash Flow Estimation and Risk Analysis (Chapter 12)
17. Review of Decision Rules in Capital Budgeting (Chapter 11, 12)
18. Capital Structure Decisions (Chapter 16)
19. Derivatives and their Use in Risk Management (Chapter 23) [*Optional*]
20. Final (Friday, December 12, 3:00- 6:00 PM)

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.)