

DONGGUAN UNIVERSITY OF TECHNOLOGY

School of Economics and Management

Course Syllabus

2019 Autumn

Course Information

Course Code	0810308
Course Title	Financial Economics
Instructor	Huang Chunyang
Class	2018 Economics and Finance (Financial Management Industry-University International Program)
Course Category	<input type="checkbox"/> Compulsory <input checked="" type="checkbox"/> Elective
Credit(s)	2
Total Hours	32
Hours Per Week	2 hours, 16weeks
Practical Hours	0
Lab Practice Hours	0
Classroom	R1308, GuanCheng Campus;
Time	Thursday, 14:30-16:10
Office Hour	Monday 10:30-12:00 at 3207 Guancheng Campus; by appointment
Required Textbook	None
Supplementary Materials	<ol style="list-style-type: none">1. Zvi Bodie, Robert C. Merton, and David Cleeton, Financial Economics, 2nd edition, Prentice Hall, 2009, ISBN-10: 0131856154 ISBN-13: 97801318561582. Other materials distributed in the classes
Prerequisites	<ol style="list-style-type: none">1. Economics (macro- and micro-)2. Basic probability and statistics
Course website	-

Course Description

Finance Economics is the study of the allocation of scarce resources over time under uncertainty. There are four building blocks in traditional finance: asset allocation over

time, asset valuation, risk management and corporate finance. In this course, we will study the basic theories in these four building blocks. Key contents include (1) time value of money, (2) discounted cash flows, (3) project evaluation, (4) bond valuation, (5) stock valuation, (6) risk management and diversification, (7) portfolio selection, (8) CAPM, (9) forward and future, (10) option pricing, (11) real option, and (12) capital structure.

Course Learning Objectives (LOs)

After this course, you should be able to:

LO1: Understand the key concepts and principles in finance, such as time value of money, risk and return, the law of one price, arbitrage, discount cash flow (DCF) valuation model, hedging, insurance, diversification, the capital asset pricing model (CAPM), capital structure, financial signaling, etc.

LO2: Explain the real-world financial events with knowledge from this course.

LO3: Apply the learned knowledge to your daily financial decisions.

Assessment and Grading

Your performance in the course will be evaluated based on three parts: attendance (20%), exercises (20%), and final exam (60%). The detailed grading is as following:

	Standard	Notes	LO1	LO2	LO3
Attendance, 20%	If you are late or leave early, your grade will be taken one point each time. If you are absent for one class, the taken point will be 2 for each absentee. Give questions is a good way to get points in attendance.	If you are taken more than 10 points away, I will reserve your right to participate the final exam.			
Term paper 20%	You are required to analyze a listed company, and hand in a valuation reports on the company. The paper can be prepared in a group of not more than 4 member, or individually.	Your answers to the questions should be handed in within two weeks	✓	✓	✓
Final exam, 60%	Questions for final exam will cover the core concepts, methodologies, techniques, and applications from the course.	Closed book exam.	✓	✓	✓

Policies:

➤ **Attendance Policy**

Students missing three classes without permission cannot get any credit from this course.

➤ **Participation Policy**

Participation in class discussion is strongly recommended, and will be awarded with extra point in final grading.

➤ **Policy on Assignments and Quizzes**

All assignments and exam should be completed by yourself. Late assignments will be accepted without penalty only in cases of legitimate absences and only if the student has contacted the lecturer in advance. If you miss a class, you must get previous class material from one of your student contacts. See the rubrics of assessment event for the detailed of evaluation.

Before/After Class - Students should expect to spend an adequate amount of time on reviewing the textbook, course handouts and finalizing the group homework before the due day. To keep up with the flow of the course, students are strongly recommended to complete the relevant reading materials and to have the coming individual/group presentations/activities conscientiously prepared before the class.

➤ **Plagiarism**

If it is caught that you take another person's work, ideas, or words, and using them as if they were your own, then the corresponding assignment will be scored zero. You can use others' work in a proper way of referencing.

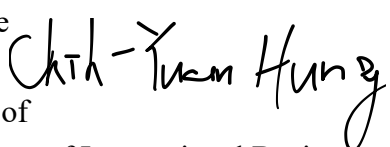
➤ **Classroom Policies**

- English - You are highly encouraged to speak English in the class and actively exchange your ideas, opinions and critical thinking with others. Make sure to speak English even during small-group or paired activities.
- Late coming student should provide a reasonable excuse based on asymmetric information theory and share it in class. If there is no excuse, treat as absent.
- If there is a question, stop the instructor any time, and ask for an answer. Your question is others' question with a very high probability.
- Please be considerate of your fellow students during class presentations. Talking during the presentation will result in a 1% deduction from your final grade.

Session Plan:

Week/Date	Topic/Focus and Difficulty/Ethical and Political Learnings (choose at least 3 weeks to perform the practice or implication of ethical and political insights from this course)	Activities	LO
1/Sept. 3	Topic: What is finance? Focus: asset allocation over time Difficulties: uncertainty	Lecture	1, 2
2/ Sept. 10	Topic: The operation of financial markets and institutions Focus: asymmetric information Difficulties: moral hazard and adverse selection Ethical and Political Learning: discussion of asymmetric information in financial market should help students in understanding the meaning of “fairness” in the society	Lecture	1, 2, 3
3/ Sept. 17	Topic: Time value of money Focus: present value Difficulties: the terminal and present value of annuity	Lecture	1, 2, 3
4/ Sept. 24	Topic: Household saving and investment decision Focus: human capital Difficulties: permanent income Ethical and Political Learning: discussion of human capital should help students in understanding the alignment	Lecture	1, 2, 3

	between the nation's fortune individual's fate		
5/Oct. 1	National Day Holiday	Lecture	
6/ Oct. 8	Topic: Principles of market valuation Focus: the law of one price Difficulties: arbitrage	Lecture	1, 2, 3
7/ Oct. 15	Topic: Valuation of fixed-income securities Focus: fixed income security Difficulties: yield curve	Lecture	1, 2, 3
8/ Oct. 22	Topic: Valuation of stock Focus: DDM model Difficulties: earning forecast Ethical and Political Learning: discussion of the intrinsic value of a stock should encourage students to invest in the long term	Lecture	1, 2, 3
9/ Oct. 29	Topic: Principle of risk management Focus: risk evaluation Difficulties: defining risk	Lecture	1, 2, 3
10/Nov. 5	Topic: Hedging, insuring and diversification Focus: methods of risk management Difficulties: hedging	Lecture	1, 2, 3
11/Nov. 12	Topic: Portfolio theory Focus: the deduction of modern portfolio theory Difficulties: portfolio optimization	Lecture	1, 2, 3
12/Nov. 19	Topic: Capital Asset Pricing Model (CAPM) Focus: the deduction of CAPM Difficulties: the meaning of CAPM	Lecture	1, 2, 3

13/Nov. 26	Topic: Forward and futures Focus: the operation of forward and future markets Difficulties: the application of forward and future contracts	Lecture	
14/Dec. 3	Topic: Option Focus: option market Difficulties: valuation of option	Lecture	1, 2, 3
15/Dec. 10	Topic: Corporate finance: financial structure of the firm Focus: financial structure of the firm Difficulties: financial signaling	Lecture	1, 2, 3
16/Dec. 17	Course review	Lecture	1, 2, 3
Total	32hours		
Date: 2019.9.6 Reviewed by Chih-Yuan Hung Signature  Director of Department of International Business and Management			