

HOFSTRA UNIVERSITY
FRANK G. ZARB SCHOOL OF BUSINESS

*"to provide students with a perspective on the integration of the functional areas of business,
while maximizing the use of analytical skills and knowledge for decision making in a contemporary
global business environment"*

DEPARTMENT OF FINANCE
FINANCE 101
INTRODUCTION TO FINANCE, FINANCIAL MARKETS AND INSTITUTIONS
(undergraduate course)

Fall 2002 Semester, Section 3, T-Th 12:45-2:10PM, code: 90138

INSTRUCTOR'S NAME	Dr. Ahmet Karagozoglu
OFFICE HOUR	T-Th: 10:00-11:00am and 2:15-3:15 pm
LOCATION OF OFFICE	025 Weller Hall
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GENERAL INFORMATION

Location of Department Office	221 Weller Hall
Telephone number of Department	463-5698
Department Chairperson	Dr. Nancy White-Huckins

DESCRIPTION OF COURSE

An introductory course in finance. Topics include the time value of money, risk and return, valuation of securities, the functions, organization, structure and regulation of financial institutions and markets. Overview of the globalization process, ethical, political and social, and demographic issues that apply to financial markets and institutions.

PREREQUISITES OF COURSE

Sophomore Standing (24 cr. hrs.) or above; ECO 1, ACCT 1, QM 1.

REQUIRED TEXT

1. Besley, Scott and Eugene Brigham, **Essentials of Managerial Finance, 12th Edition**, Dryden Press, 2000.
2. **Finance 101 Supplement: Introduction to Finance, Financial Markets, and Institutions**, prepared by the Department of Finance, Zarb School of Business. (On Reserve at the Axinn Library)

and available at the Department of Finance website).

CALCULATOR

Students may use any financial calculator that has the financial functions (PV, FV, NPV, IRR, etc.) but the Finance Department **highly recommends** that students purchase the Texas Instruments, Business Analysts (TI-BAII Plus) calculator.

OUTCOME OBJECTIVES AND METHODS OF ACHIEVING THE OBJECTIVES

The objectives of the course are twofold. First, to teach students the mathematics of time value of money, and the principles of risk and return and stock and bond valuation. Second, to make students familiar with the institutional environment of finance which includes financial markets and instruments, and financial institutions. In addition, the course exposes the students to a debate of ethical issues, and the influence global, regulatory, political and social, and demographic forces have on the functions and structure of the financial system.

NOTE ON PERSPECTIVES

The new AACSB guidelines require that all business majors be exposed to several perspectives areas that influence the management of business organizations. Coverage of perspectives will utilize a variety of classroom techniques, like case discussion, role-playing, group projects and others as necessary. Students should expect to be graded on the perspective portion of the course.

SCHOOL OF BUSINESS POLICY ON MAKEUP EXAMINATIONS

To be eligible for a makeup examination, a student must submit to the instructor written documentation of the reason for missing a scheduled examination due to medical problems or death of an immediate family member. The instructor (*not the student*) determines whether and when a makeup is to be given. If a makeup examination is to be given, the instructor will determine the type of makeup examination. If the student misses (for any reason) the scheduled makeup examination, additional makeups are *not* permissible.

UNIVERSITY POLICY ON INCOMPLETE GRADES

A student unable to complete a course may, with the permission of the instructor, receive a grade of incomplete (INC). The instructor will permit the student to complete and submit the missing work *no later than the third week* of the following semester. All undergraduate students may accumulate up to nine credits of INC grades without penalty. Past this nine-credit limit, all subsequent INC grades not made up convert to F's at the end of the semester following the one in which they were assigned.

DEPARTMENT STATEMENT ON ACADEMIC HONESTY

The Department of Finance is dedicated to maintaining the highest level of academic honesty in all of its classes. The University Policy on Academic Honesty states that expulsion from the University is a possible punishment for academic dishonesty. The University Policy also states that students “must avoid not only cheating, but the very appearance of cheating.” Activities such as looking at the examination of another student, talking, or passing notes during examinations give the appearance of cheating, and therefore will be regarded as cheating. Submission of assigned work that is identical in any abnormal way to the work of

another student is subject to reasonable interpretation as cheating. Students knowingly providing work to others are as guilty of cheating as those who accept their work. (For further information on academic honesty, please refer to the “*Policy on Academic Honesty*” in the Hofstra University General Bulletin.)

ATTENDANCE POLICY

All students are expected to attend class, and to arrive in the classroom before the class begins. Attendance and class participation will play an important part in student's final grade.

METHODS OF EVALUATING STUDENTS

CLASS PARTICIPATION: Student participation is essential for this course. Students are strongly encouraged to participate in class discussions and ask questions. Each student is expected to follow current events relating to this course in newspapers such as The Wall Street Journal as well as in the financial magazines such as Business Week and Fortune. Students are encouraged to discuss current events relevant to the class or their own work experiences as they relate to the class.

HOMEWORK: Homework problems will be assigned on a regular basis and selected problems will be reviewed in class. Students are expected to do the assignments before the problems are reviewed in class. Students having difficulty with the homework should visit the instructor during my office hours either before or after the problems are reviewed in class.

INCOMPLETES AND WITHDRAWALS: Unless extraordinary circumstances apply, students who wish to withdraw from the class must follow the University’s guidelines. Late withdrawals will not be permitted. Incomplete grades will be given only if a student has (1) a good reason for receiving such a grade, (2) has fulfilled attendance requirements, (3) taken the first exam, (4) completed his/her projects, and (5) is passing the course. Incompletes **MUST** be requested **BEFORE** the final exam is given.

GRADING POLICY

EXAMS: There will be three exams in this course. First midterm, to be given in early October, second midterm to be given in early November and a final to be given during finals week. Exams will generally consist of multiple choice question and problems as well as short answer problems.

EXAMS will contribute to your final grade as follows:

FIRST MIDTERM	30%
SECOND MIDTERM	30%
FINAL	30% December 17, 2002: 1:30-3:30pm
HOMEWORKS AND CLASS PARTICIPATION	<u>10%</u>
OVERALL TOTAL	100%

COURSE OUTLINE

On the outline, the Besley and Brigham text will be referred to as [B], the Department of Finance Supplement Text as [S]

1. **AN OVERVIEW OF FINANCE**

Definition of finance as the managerial function for raising and managing capital resources. Discussion of the concepts of wealth maximization, and its impact, as a financial objective, on financial decision making. The role of the financial system in the determination of the market values of assets and in the savings-investment process.

TEXT: Chapter 1 [B]

2. **OVERVIEW OF THE GLOBALIZATION PROCESS IN FINANCIAL MARKETS AND INSTITUTIONS**

Meaning of the globalization process in finance. Discussion of the trends in the globalization process of financial markets and investments. Developments in the globalization process for financial services and institutions, and consequences for the competition among markets and institutions.

TEXT: Chapter 1 [S]: *Global Financial Markets and Institutions*

3. **TIME VALUE OF MONEY**

The meaning of time value of money. Definitions and calculations of present and future values for single sums under simple and compound interest rates. Definitions and calculations of present and future values of annuities, uneven cash flows, and perpetuities. Calculations for multiple compounding periods in a year, loan amortization tables, effective and nominal interest rates.

TEXT: Chapter 6 [B]

4. **VALUATION OF SECURITIES**

Definitions of the concepts of market value and price and rates of return. Description of the valuation process and the analytics of valuation for bonds, common and preferred stocks.

TEXT: Chapter 7 [B]

5. **INTRODUCTION TO FUTURES AND OPTIONS**

Introductory discussion of options and futures; their role in risk hedging and speculation; basic pricing principles and market trading mechanics. Linkages of the main capital markets with the derivative securities markets.

TEXT: Chapter 2 [S]: *Options and Options Markets*
Chapter 3 [S]: *Futures Contracts and Futures Markets*

6. **RISK AND RETURN**

Discussion of risk and uncertainty in financial decisions. Calculating expected returns and standard deviation of returns for single assets and portfolios. Portfolio diversification benefits; total systematic, and nonsystematic risk.

TEXT: Chapter 5 [B] pgs. 179-197.

7. **OVERVIEW OF ETHICAL AND DEMOGRAPHICAL ISSUES IN FINANCE**

Class discussion of finance-related issues in ethics; demographical issues and policies of financial institutions.

TEXT: Chapter 4 [S]: *Ethics in Finance*

8. **THE ROLE OF FINANCIAL INTERMEDIARIES**

Description of the functions and services of financial intermediaries in the savings-investment process. Description of the various financial institutions, their characteristics, and structure. Overview of the **regulation** of financial intermediaries.

TEXT: Chapter 5 [S]: *Non-Bank Financial Institutions*

Chapter 6 [S]: *Banking Institutions*

9. **THE MONEY AND CAPITAL MARKETS**

The organization and structure of financial markets. Presentation and description of the various financial instruments traded in the money and capital markets. Understanding published market price quotations and market price indices and averages. Understanding interest rates. Overview of the regulation of financial markets. A discussion of how technology impacts the development and growth of financial markets.

TEXT: Chapter 2 [B] (up to page 55)

Chapter 7 [S]: *Money Market Instruments*

10. **RAISING CAPITAL IN THE FINANCIAL MARKETS**

The issuance of securities and the role of investment bankers in the market for capital acquisition. An overview of the regulatory environment of the market for new issues.

TEXT: Chapter 16 [B]

11. **OVERVIEW OF POLITICAL AND SOCIAL ISSUES IN FINANCIAL MARKETS AND INSTITUTIONS**

An overview of various political and social issues as they apply to financial markets and institutions, like the growing institutionalization of securities ownership, social welfare and political consequences from the control of pension funds, social and political pressures on the investment practices and choices of institutional investors.

VIDEO: *The Stockholder Society*

12. **MARKET EFFICIENCY**

Introductory description of the concepts of pricing, informational, and allocational efficiency of financial markets. Description of the different levels of market efficiency. The role of information in the determination of security prices.

TEXT: Chapter 7 [B]: (pgs. 315-316)
