

**NEW YORK UNIVERSITY
STERN SCHOOL OF BUSINESS**

**FOUNDATIONS OF FINANCE
B01.2311.21
Spring 2009**

Professor Yoram Landskroner

Dates: Jan 26- May 4, 2009

No class on Feb 16 (*Presidents Day*)

March 16-March 22 (*Spring Break*)

Class:

Meeting Time: MW 9:00 am-10:30 am

Office Hours: MW 11: am-12:00

Phone: 212-995-0445

E mail: ylandskr@stern.nyu.edu

TA:

TA email:

TA OH:

SYLLABUS (Tentative)

What's the course about?

This course covers the elements of financial markets, financial securities and how they are valued and traded. The perspective is that of the investment manager, responsible for the investment portfolios of financial institutions, such as insurance companies, banks, pension funds, mutual funds and personal trusts. We discuss several outstanding problems of investment management, including the definition of criteria of decision making under certainty and uncertainty, security valuation, performance measurement, and the asset mix decision.

Bodie, Kane and Marcus (BKM), *Essentials of Investments*, 7th edition, McGraw-Hill/ Irwin, 2008.

Ross, Westerfield and Jordan (RWJ), *Essentials of Corporate Finance*, 6th Edition, 2008. Selected chapters. CUSTOM PUBLICATION.

Other Readings

Other required readings will be distributed to the class.

Regular reading of the financial press: *Wall Street Journal*, *New York Times*, *Financial times*, is highly recommended.

Prerequisites

Firms and Markets; Statistics and Data Analysis; Financial Accounting.

Grades

The final grade in the course will be based on the midterm (40%) a final exam (50%) and problem sets (10%). The final grades will follow the Grading Standards of the Finance Department.

Exams

There will be a midterm and final (non- cumulative) in-class exams. The final exam will be given in the last class meeting. The format of the exams is multiple-choice questions with short explanations. The exams are closed book, but you can bring in one 8.5"x11" page of notes and should bring in your financial calculator. You may not enter any formulae or data in your calculator.

Problem Sets

Over the course of the semester about 7 problem sets will be assigned. They will be graded. To receive credit they must be handed in on time and must be legible handwritten originals (no faxes, no word processors nor photocopies). Each student must hand in his/her own work individually.

Practice Problems:

It is highly recommended that you solve end-of-chapter problems in BKM, The Solutions Manual provides detailed solutions.

Calculator

You will need a financial calculator that has present value, internal rate of return, log and exponential functions HP10B (TI BAII Plus or HP12C) are suitable. You will need it for homework and exams (no laptop permitted in exam).

Blackboard Information:

Course material which includes PowerPoint slides of the lectures; assignments and solutions; announcements, and other material will be posted on the course site.

Class Attendance

You are expected to attend all classes. You are responsible for knowing what goes on in class, which may include material not covered in readings, modifications and announcements concerning the syllabus, assignments and exams.

Honor code

You are responsible for maintaining Stern's honor code, which mandates zero tolerance for cheating.

See: http://w4.stern.nyu.edu/scorp/committee.cfm?doc_id=4797

Qualified disability

If you have a qualified disability and will require academic accommodation during this course, please contact the Moses Center for Students with Disabilities (CSD, 998-4980) and provide me with a letter from them verifying your registration and outlining the accommodations they recommend. If you will need to take an exam at the CSD, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation.

Course Outline

1. Basics of Investments
 - Overview of the Financial System
 - Markets, Securities and Institutions

BKM: Ch. 1, 2, 3, 4.
2. Time value of Money
 - Interest rate calculations
 - Net Present Value and Internal Rate of Return
 - Applications

RWJ: Ch. 4, 5, 8 (pp. 230-235, 241-249, 251-254.)
3. Risk and Return
 - Decisions under Uncertainty
 - Diversification and Portfolio Analysis

BKM: Ch. 5 (116-133), 6 (149-164)
4. Capital Market Equilibrium
 - Capital Asset Pricing Model
 - Multifactor Models
 - Market Model and Estimation of CAPM

BKM: Ch. 5 (133-142), 6 (164-181), 7
5. Equity Valuation
 - Relative valuation
 - Dividend Growth Models
 - Free Cash-flow modes

BKM: Ch. 13
6. Bond Valuation
 - Bond Prices and Risks
 - Term Structure of Interest Rates
 - Managing Bond Portfolio- Duration and Immunization

BKM: Ch. 10, 11

7. Options and Futures
Options Strategies and Valuation
Futures

BKM: Ch. 15, 16, 17