University of Lethbridge – Department of Economics
ECON 2850(A) – Financial Economics
Summer 2009

Instructor: Michael G. Lanyi
Class Times: Tu. & Th. 13:00 – 15:50   **Office:**   C–574
Place: B–650   **Phone:**   332–4590

Office Hours: Tu. 9:00 – 9:50 & 12:00 – 12:50
                           M, Tu, W, Th & F   8:00 – 8:50   *by appointment*

Web: http://directory.uleth.ca/users/michael.lanyi

Required Material:

MATHEMATICS OF FINANCE, Sixth Edition
Zima, Petr. McGraw–Hill Ryerson

Course Objectives:

This course deals with simple and compound interest, with applications to continuous interest, annuities and perpetuities, loan and mortgage payments, sinking funds, bonds, capitalization and depreciation. Topics will include the calculation of net present values, basic asset pricing, evaluation of risk and return, capital budgeting and financial derivatives. Basic principles of optimal portfolio theory, including the Capital Asset Pricing Model will be covered (if time permits). This course equips students with a thorough understanding of the interplay between basic concepts of Economics and Finance. With the help of notes and class instruction students will be introduced to the spreadsheet and its use in financial economics. (A good scientific calculator will be needed as well.) The course should be especially interested to students of business and economics. The emphasis will be on practical problems.

Course Outline:

Students are strongly encouraged to read the course material *before* attending lectures. Unless otherwise stated in class, students should read the entire chapter corresponding to the various topics outlined below (appendices can be omitted unless otherwise stated in class). The course material with chapter references is as follows:

No.	Topics	Reading
1.	Simple Interest and Simple Discount	Ch. 1
2.	Compound Interest	Ch. 2
3.	Simple Annuities	Ch. 3
4.	General and Other Annuities	Ch. 4
5.	Repayment of debts	Ch. 5
6.	Bonds	Ch. 6
7.	Business Decisions, Capital Budgeting And Depreciation	Ch. 7
8.	Math Review (as needed)	

Lectures

While attendance in class is not mandatory and absences will not factor into the final course grade, randomly circulated class list might provide bonus marks for attendance. Since not all materials are covered in the text book, students are strongly encouraged to attend lectures. Certain materials will be posted to the class web page on WebCT. These are made available to assist you during lecture. They are *not a substitute for attending lectures*. You are responsible for printing these (if required) and bringing them to class. Out of respect for all students in the class, unnecessary disruption *will not be tolerated*. Missing lectures is not a valid excuse for inability to answer any exam question.

Laboratories

Although Laboratories are not provided during the course, practice is essential to successfully master the material. Therefore a large fraction of the lecture time will be set aside for practicing each new concept.

Practice problem sets

I will provide practice problem sets that are intended to help you learn the material in this course and prepare for exams. These problem sets will not be graded but it is your responsibility to make sure that you understand the solutions that will be made available. If you have any questions or need further explanation I will be **very happy** to see you in my office *(See Office Hrs. on page 1).*

Examinations, Absence Policy and Grade Determination

There will be *four (4) quizzes* [4x15%], *one (1) assignment* [5%] and a *final exam* [35%]. The final exam is partially cumulative. There might be *optional* Bonus Assignments. All the quizzes will be held in the classroom.
A missed quiz is a zero. No make–up Quizzes!

Note carefully: since the summer courses are very intense it's impossible to specify the dates of 4 quizzes in advance. The dates of these quizzes will be announced during the class as we proceed with the material. I'll give you at least one or two days advance notice.

Once again: **I DO NOT GIVE MAKE-UP QUIZZES**.

Absence from Exam Policy:

Except under extremely unusual circumstances, if a quiz or exam is to be missed for any valid reason (and this does happen), you *must give notification before the scheduled time of the quiz or exam by calling my office*. This is then followed up with appropriate documentation (e.g., a medical certificate) *within 48 hours* of the missed quiz or exam. Failure to do one or both of these will result in a failing grade on the examination.

There will be NO make–up Quizzes! The weight of any missed Quiz will be added to the final exam but ONLY IF the above mentioned conditions are met.

Except under extremely unusual circumstances, *no requests will be entertained for early or delayed exams.*

Letter grades will be based on numerical final grades as follows:

A+	$90 <$ A+			C+	$66 <$ C+	$\leq$	70
A	$85 <$ A	$\leq$	90	C	$63 <$ C	$\leq$	66
A–	$80 <$ A–	$\leq$	85	C–	$60 <$ C–	$\leq$	63
B+	$77 <$ B+	$\leq$	80	D+	$56 <$ D+	$\leq$	60
B	$73 <$ B	$\leq$	77	D	$50 \leq$ D	$\leq$	56
B–	$70 <$ B–	$\leq$	73	F	$0 \leq$ F	$<$	50

Students should keep all graded quizzes and assignments. In the case of disagreement between your recorded mark and the mark on your exam, the latter will be taken to be correct.