

Unique # 02535 MWF 9:00am – 10:00am

Unique # 02540 MWF 10:00am – 11:00am

Lecturer: Pam Friedman

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Office: 6.208

Office Hours: MWF 1:00pm – 2:30pm and by appointment

Required Text: Saunders, Cornett, **Financial Markets and Institutions, Irwin, Second Edition****Course Description:**

Finance 354 introduces the fundamental concepts of finance and economics. The course develops understanding of the company's capital structure decisions and prepares students to understand how news and new market information impacts these decisions.

Markets and institutions have been created to facilitate transfers of funds from economic agents with surplus funds to economic agents that need funds. For an economy to maximize its growth potential it must create methods that attract savers' excess funds and then put those funds to the best uses possible, otherwise idle cash is not used productively. The funds transfer should occur at as low cost as possible to ensure maximum economic growth.

Financial decisions are based not only on the individual company's stage of development, capital needs and ability to pay, but also on national and global financial policies. Making investment and financing decisions requires knowledge of how fund flow throughout the economy. The objective is for the student to recognize how companies and individuals might react to corporate changes, policy changes, and global economic forces. Risks, and strategies to address those risks, will be also be emphasized.

Major topics:

Overview of Financial Markets and Institutions

Determinants of Interest Rates

Security Valuation

The Federal Reserve Systems, Monetary Policy and Interest Rates

The Securities Markets – Money, Bond, Mortgage, Stock, Foreign Exchange and Derivative Markets

Depository Institutions – Commercial banks, Thrifts, Regulations

Other Financial Institutions – Insurance, Securities Firms and Investment Banks, Mutual Fund Companies

Risk Management – Credit, Liquidity, Interest Rate Risk

Loan Sales and Asset Securitization

Exams and Exam Schedule

There will be four exams during the semester and a cumulative final exam during the final exam period. If a student misses an exam FOR ANY REASON, that student will be required to take the final exam. No more than one exam may be missed.

If a student takes all four exams, that student will not be required to take the final exam and the student's grade will be based on those four exams. Each of the exams will be weighted equally. A student who takes all four exams has the option to take the final exam. In this case, taking final can only raise the student's grade, not lower it.

	<u>Date</u>
Exam 1:	Wed, Feb 9 2005
Exam 2:	Wed, March 2, 2005
Exam 3:	Wed, April 6, 2005
Exam 4:	Wed, April 27, 2005
Final:	As scheduled by the University*

* Subject to whether the exams for each class are combined

Exams will be held in class. If a project is required, the project will be worth 10% of your grade and other exam grade percentages will be adjusted equally.

Taking exams at any other time is not permitted. Please schedule job interview, office visits and other appointments around these dates and times.

The University of Texas at Austin provides upon request appropriate academic accommodations for qualified students with disabilities. For more information, contact the Office of the Dean of Students at 471-6259, 471-4641

Course Evaluation

The course grade will be determined as follows:

- For students that have the option whether or not to take the final exam and choose not to take the final exam, each exam will be worth 25% of that student's grade.
- For students that have the option whether or not to take the final exam and choose to take the final exam, the grade will be based on the better of (a) 25% per each of the four in-class exams or (b) each of the four in-class exams will be worth 16% of that student's grade and the final will be worth 36% of that student's grade.
- For students that are required to take the final exam, each exam including the final exam will be worth 20% of that student's grade.
- Students will receive a zero for exams missed in excess of one exam.

Exams will be comprised of mainly multiple choice and true false. However short answer, fill in the blank, or other questions may be used. There may be a slight curve on exams (as determined by the instructor) or in finals grades. The course letter grade cannot be determined until all required exams have been taken.

Grades will be posted on E-Grade, unless students are told otherwise by the instructor.

Scholastic dishonesty will not be tolerated and will be dealt with in accordance with the policies of the University of Texas.

Course Materials, Supplemental Materials, and Office Hours

Student lecture notes will available on Blackboard under the Course Documents section at least one class day prior to that lecture (at the latest). Please print these out and bring them to class. The notes will save you from taking notes on a significant portion the material covered in class. Lecture notes are the primary source for the exams. I suggest you put the lecture notes in a medium three ring binder and bring additional blank pages to take additional notes. If you have difficulty printing these, please see the instructor during office hours.

If there are additional course assignments, assigned reading materials and supplemental readings for the following week (including suggested homework problems), they will be posted to Blackboard by Sunday night at 6pm or earlier in the Assignments Section or in the Course Documents section.

Solution to the suggested homework problems will also be posted. It will not be necessary to turn in assignments. Students are responsible for assignments and assigned reading materials. This material may be tested unless otherwise noted. Much of this material will be used in class during the week. Bring these materials and come to class prepared to discuss. Supplemental readings are intended to make the course more relevant and useful to a career in business or finance.

The instructor will be available during office hours to discuss career issues (and I'm glad to do so), but reserves the right to put students with class/exam issues ahead of these discussions. I will be glad to discuss either class or career topics outside of office hours by appointment.

Calculators:

Although calculations are not the primary focus of this course, there may be some calculations on exams. I use the HP 12C for all calculations. It is my experience that this is the most universally accepted calculator in the industry. If you do not have an HP 12C, you will need some other kind of calculator that calculates present and future value, exponential and root functions. Present and future tables will not be available for the exam.

I will show calculations using the HP 12C. If you have a different calculator, you will need to be responsible to read the manual to do similar calculations. Do not bring programmable calculators to the exam unless you are willing to clear all programming before the exam.

Other Course Policies: (VERY IMPORTANT)

1. Alternate exam dates cannot be given. Students missing one exam will be required to take a comprehensive final exam. Students missing an exam in excess of one exam without permission will receive zero for those exams.
2. **Make-up or extra work to improve your grade is not possible.** Your final letter grade is determined solely by your examination and project scores if applicable. In addition, your general academic situation cannot be considered. (For example, "I need a 'C' in this course to graduate.") The final grade in the course, once assigned, will not be changed except in the event of a recording error.
3. All examination materials, including a formula sheet and scratch paper, will be provided. You need to bring No. 2 pencils, a financial calculator and a picture I.D. to the exam session.
4. Any individual suspected of cheating, including stealing or using stolen examinations, will be disciplined to the maximum extent possible. Specific seats may be assigned for all examinations including the final examination.
5. Examinations will not be returned. The method of review will be announced in class but will occur only during the week directly following the examination. If you feel your posted examination grade is incorrect, you must notify me in writing during this same one-week period. After one week, the examination papers will be stored and the instructor will have the discretion whether to research the issue further.
6. If you miss a class, it is entirely your responsibility to determine what you have missed including any administrative announcements I may have made. Some of the material covered on exams may not be in the text. Hence, you are urged to attend class regularly.
7. Office hours for the instructor may change during the semester. Such changes will be announced in class. Office hours may also be scheduled by appointment.
8. **DON'T BE LATE TO CLASS.** If a student is late to class, the instructor reserves the right to ask that student to leave the classroom. Should you need to come late or must leave class early, please have the courtesy of letting the instructor know by e-mail or before the beginning of the period and enter/leave quietly so as not to disturb the other members of the class.
9. You cannot assume that all information needed for the examinations will be presented in class. It is imperative that the textbook, assigned problems and other assigned material be read and studied.
10. You should work assigned problems as they may appear on the exams.

Study Guide

1. You need to **understand** what you are studying, whether it is conceptual or analytical. When you study, ask yourself such question as:
 - i) What is the purpose of this concept or formula?
 - ii) Why is it important?
 - iii) How does the author demonstrate its importance?
 - iv) How does it “fit” with what you have studied so far? –either in this class or in an earlier class.
2. I suggest that you read each chapter once **before** it is discussed in class and then read it again **after** the topic is covered in class. Reading the material beforehand will greatly assist in having meaningful class discussions. If you are having trouble with a concept or problem, see me, during regular office hours as soon as possible.
3. The problem sets associated with each chapter are not to be handed in; however, it is important that you work and understand them. Working these questions is a necessary step in preparing for the exam. Reviewing the key words and the questions at the end of the chapter will also be useful in mastering the material and preparing for the examinations.
4. Relying on your calculator as a means to simply **plug figures** for an answer will get you into trouble. Problems (academic and real world) do not always fit into a formula. Also, cramming right before an exam usually results in confusion, anxiety, and a lack of the **big picture**.

Other Information:

A class schedule is shown on the next page. This schedule may be modified somewhat as the semester progresses as some topics take more or less time than anticipated. The examination dates will generally not be changed. Additional assignments, additional practice problems, supplemental readings and/or additional chapters from the textbook may (and very likely will) be added or deleted at a later date. **The availability of new material and practice questions may be announced in class, but check the website on Sunday nights after 6pm for new material. No new material will be posted on the Sunday just prior to an exam.**

Class Schedule:

Wednesday	January	19	Ch 1	Intro
Friday		21	Ch 1, 2	Determinants of Interest Rates
Monday		24	Ch 2	
Wednesday		26	Ch 2	
Friday		28	Ch 3	Interest Rates and Security Valuation
Monday		31	Ch 3	
Wednesday	February	2	Ch 3	
Friday		4	Ch 4	The Federal Reserve System
Monday		7	Ch 4	
Wednesday		9		EXAM 1 Chapters 1-4
Friday		11	Ch 5	Money Markets
Monday		14	Ch 6	Bonds Markets
Wednesday		16	Ch 6	
Friday		18	Ch 7	Mortgage Markets
Monday		21	Ch 7	
Wednesday		23	Ch 8	Stock Market
Friday		25	Ch 8	
Monday		28		
Wednesday	March	2		Exam 2 Chapters 5-8
Friday		4	Ch 9	Foreign Exchange Markets
Monday		7	Ch 10	Derivatives Markets
Wednesday		9	Ch 10/11	Commercial Banks
Friday		11	Ch 12	Thrifts
Monday		14		Spring Break
Wednesday		16		Spring Break
Friday		18		Spring Break
Monday		21	Ch 15	Insurance Companies
Wednesday		23	Ch 16	Securities Firms and Investment Banks
Friday		25	Ch 17	Finance Companies
Monday		28	Ch 18	Mutual Funds
Wednesday		30	Ch 19	Pension Funds
Friday	April	1	Readings	Regulations
Monday		4		
Wednesday		6		Exam 3 Chapters 9-12,15-18
Friday		8	Ch 20	Financial Institution Risk
Monday		11	Ch 21	Credit Risk
Wednesday		13	Ch 22	Liquidity Risk
Friday		15	Ch 23	Interest Rate and Insolvency Risk
Monday		18	Ch 24	Derivatives and Managing Risks
Wednesday		20	Ch 25	Loan sales and Asset Securitization
Friday		22		
Monday		25		
Wednesday		27		Exam 4 Chapters 20-25
Friday		29		Topic to be Determined
Monday	May	2		Topic to be Determined
Wednesday		4		Review for Final
Friday		6		Review for Final