

Financial Economics 21:220:439

Professor Carlos Seiglie

Spring 2022

Tuesday 2:30 PM - 3:50 PM Smith 234

Thursday 2:30 PM - 3:50 PM Smith 234

Office Hours: T 1:00-2:00PM, TH 1:00-2:00PM or by appointment.

This course will provide you with the basic tools used in modern portfolio theory and corporate finance. Some of the topics that we will cover include present value and the discounting of cash flows, the internal rate of return of an investment, the structure of interest rates and yield to maturity, the efficient market theory, basic asset pricing theory, the capital asset pricing model, and models for pricing options and other contingent claims if time permits.

This course will give you a “hands on” approach to financial economics using Excel. The textbook which we will be using and is **mandatory** is Simon Benninga and Tal Mofkadi’s **Principles of Finance with Excel (Third edition)** published by Oxford University Press. I will refer to the text below as **POF**.

In addition, [The Economics of Financial Markets](#) by Roy E. Bailey (Cambridge University Press) is a great source for the theory and is available online. For those interested in furthering their studies of corporate finance, I recommend **Fundamentals of Corporate Finance** by Berk, DeMarzo and Harford. These texts are available in the University Bookstore.

If you are able to master this material you are ready for an analyst job on Wall Street!

I will be having material posted on Canvas, the initial lectures will be using Zoom and as are initially “virtual office” hours to address any questions you have. You will be graded on a midterm exam and final exam concentrating on the concepts which will be 70% of your grade, and the final 30% of your grade will be based on homework assignments using Excel.

Please note that cell phones and pagers are PROHIBITED during exam time. Use of them will result in an “F” for the course.

There will be no make-up exams unless your absence is of an urgent nature. You will need to provide thorough documentation of the reason. For example, if it is for medical reasons, I will require BOTH written and verbal proof from the attending physician. The latter means that the physician must call me and confirm your illness.

In order to protect the health and well-being of all members of the Rutgers-Newark community, masks must be worn by all persons inside campus buildings when in the presence of others, and in buildings in non-private enclosed settings (e.g., common workspaces, workstations, meeting rooms, classrooms, etc.). Masks should securely cover the nose and mouth. Masks must be worn during class meetings. Each day before you arrive on campus or leave your residence hall, you must complete the brief survey on the My Campus Pass symptom checker self-screening app found at: [myRutgers Portal](#).

I will absolutely not tolerate any dishonesty. Your work must be your own.

Course outline:

Corporate Finance and Valuation

- 1) I will discuss basic financial calculations such as present value and net present value, internal rate of return, continuous compounding and discounting using dated cash flows **POF(Chaps 1-5),**
- 2) Capital Budgeting **POF(Chap 6)**

Portfolio Models

- 3) Some Statistics **POF (Chap 7-8)**
- 4) Calculating efficient portfolios **POF (Chap 9-10)**
- 5) The capital asset pricing model (CAPM) **POF (Chap 11)**
- 6) Measuring Investment Performance **POF (Chap 12)**
- 7) The Cost of Capital and the security market line **POF (Chap 13)**
- 8) Efficient Markets **POF (Chap 14)**
- 9) Valuing Bonds **POF (Chap 15)**
- 10) Valuing Stocks **POF (Chap 16)**
- 11) Valuing Options **POF (Chaps 17-20)**