## Foundations of Finance

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<th><strong>Class code</strong></th>
<th>FINC-UB 9002 - 001</th>
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| **Instructor Details** | Name : Dr Dirk Nitzsche  
Office hours : by arrangements, but usually after the class. |
| **Class Details** | Fall 2013  
Wednesdays, 9.00 – 12.00  
Location to be confirmed. |
| **Prerequisites** | None |
| **Class Description** | Interactive lectures, Excel demonstrations, Self study problem sheets |
| **Desired Outcomes** | The aim of this module is to introduce and to develop the basic concepts and tools used in modern finance. This module provides an introduction to financial markets and the different financial assets traded on these markets, including equities, fixed income securities and financial derivatives. It outlines different valuation models for projects (or other physical investments) which are also used for determining the fair price of financial instruments. Apart from introducing valuation models for different financial instruments, the module also focuses on the assessment of risk and return and introduces some ground breaking finance theory, such as diversification and portfolio theory and the CAPM.  
This course integrates Excel spreadsheet modeling and in particular the optimizer Solver to demonstrate some computer based application of some financial concepts introduced in this module.  
Students should be able to understand and apply basic finance concepts used in business.  
Students should be able to understand and assess current developments in finance and financial markets.  
Students have been exposed to jargon used in finance and gained the knowledge to make better financial decisions. |
| **Assessment Components** | Mid term test (25% weight) covers the material from the first 5 weeks, Individual Excel Project (25% weight) and a 2 hour closed book exam (50% weight) covering all the material taught in this module.  
The mid-term test has a duration of 75 minutes and the Excel project is labor intense and requires the compilation of a written report of less then 5 pages.  
Failure to submit or fulfill any required course component results in failure of the class. |
| **Assessment Expectations** | **Grade A:** Students needs to show an outstanding understanding of the financial concepts and theories introduced in this course together with applications. Knowledge of the limitations of the theory and practical issues should also be understood. |
Grade B: Students need to show a good understanding of the financial concepts and theories (and its limitations) introduced in this course together with applications and practical issues.

Grade C: Students should demonstrate a basic understanding of different financial instruments and markets and its interaction.

Grade D: Limited knowledge of financial issues and concepts. Finance is probably not for this student.

Grade F: Shows no understanding of basic concepts taught in this module and no interest in the subject. Student is advised not to pursue a career in finance.

Grade conversion

NYU in London uses the following scale of numerical equivalents to letter grades:

- A=94-100
- A-=90-93
- B+=87-89
- B=84-86
- B-=80-83
- C+=77-79
- C=74-76
- C-=70-73
- D+=67-69
- D=65-66
- F=below 65

Where no specific numerical equivalent is assigned to a letter grade by the class teacher, the mid point of the range will be used in calculating the final class grade (except in the A range, where 95.5 will be used).

Grading Policy

NYU in London aims to have grading standards and results in all its courses similar to those that prevail at Washington Square.

At NYU Stern, we strive to create courses that challenge students intellectually and that meet the Stern standards of academic excellence. To ensure fairness and clarity of grading, the Stern faculty have agreed that for elective courses the individual instructor or department is responsible for determining reasonable grading guidelines.

Attendance Policy

NYUL has a strict policy about course attendance. No unexcused absences are permitted. While students should contact their class teachers to catch up on missed work, you should NOT approach them for excused absences.

Excused absences will usually only be considered for serious, unavoidable reasons such as personal ill-health or illness in the immediate family. Trivial or non-essential reasons for absence will not be considered.

Excused absences can only be considered if they are reported in accordance with guidelines which follow, and can only be obtained from the appropriate member of NYUL's staff.
Please note that you will need to ensure that no make-up classes – or required excursions - have been organised before making any travel plans for the semester. See also section 11.1 - Make up days.

Absence reporting for an absence due to illness

1. On the first day of absence due to illness you should report the details of your symptoms by e-mailing absences@nyu.ac.uk including details of: class(es) missed; professor; class time; and whether any work was due including exams. Or call free (from landline) 0800 316 0469 (option 2) to report your absences on the phone.

2. Generally a doctor’s note will be required to ensure you have sought treatment for the illness. Contact the Gower Street Health Centre on 0207 636 7628 to make an appointment, or use HTH general practitioners if you cannot get an appointment expediently at Gower Street.

3. At the end of your period of absence, you will need to complete an absence form online at http://bit.ly/NuCl5K. You will need to log in to NYU Home to access the form.

4. Finally you must arrange an appointment to speak to Nigel Freeman or Donna Drummond-Smart on your first day back at class. You must have completed the absence form before making your appointment.

Supporting documentation relating to absences must be submitted within one week of your return to class.

Absence requests for non-illness reasons

Absence requests for non-illness reasons must be discussed with the Academic Office prior to the date(s) in question – no excused absences for reasons other than illness can be applied retrospectively. Please come in and see us in Room 308, 6 Bedford Square, or e-mail us at academics@nyu.ac.uk.

Further information regarding absences

Each unexcused absence will be penalized by deducting 3% from the student’s final course mark. Students are responsible for making up any work missed due to absence.

Unexcused absences from exams are not permitted and will result in failure of the exam. If you are granted an excused absence from an examination (with authorisation, as above), your lecturer will decide how you will make-up the assessment component, if at all (by make-up examination, extra coursework, viva voce (oral examination), or an increased weighting on an alternate assessment component, etc.).

NYUL also expects students to arrive to class promptly (both at the beginning and after any breaks) and to remain for the duration of the class. If timely attendance becomes a problem it is the prerogative of each instructor to deduct a mark or marks from the final grade of each late arrival and each early departure.

Please note that for classes involving a field trip or other external visit, transportation difficulties are never grounds for an excused absence. It is the student’s responsibility to arrive at an agreed meeting point in a punctual and timely fashion.

Please refer to the Student Handbook for full details of the policies relating to attendance. A copy is in your apartment and has been shared with you on Google Docs.
Late Submission of Work

Written work due in class must be submitted during the class time to the professor. Late work should be submitted in person to a member of NYU London staff in the Academic Office (Room 308, 6 Bedford Square) during office hours (Mon – Fri, 10:30 – 17:30). Please also send an electronic copy to academics@nyu.ac.uk for submission to Turnitin.

Work submitted within 5 weekdays after the submission time without an agreed extension receives a penalty of 10 points on the 100 point scale.

Written work submitted more than 5 weekdays after the submission date without an agreed extension fails and is given a zero.

Please note end of semester essays must be submitted on time.

Plagiarism Policy

Plagiarism: the presentation of another piece of work or words, ideas, judgements, images or data, in whole or in part, as though they were originally created by you for the assignment, whether intentionally or unintentionally, constitutes an act of plagiarism.

Please refer to the Student Handbook for full details of the plagiarism policy.

All students must submit an electronic copy of each piece of their written work to www.turnitin.com and hand in a printed copy with the digital receipt to their professor. Late submission of work rules apply to both the paper and electronic submission and failure to submit either copy of your work will result in automatic failure in the assignment and possible failure in the class.

Electronic Submission

The Turnitin database will be searched for the purpose of comparison with other students’ work or with other pre-existing writing or publications, and other academic institutions may also search it.

In order for you to be able to submit your work onto the Turnitin website, you will need to set up an account:

1) Go onto the Turnitin website http://www.turnitin.com
2) Click ‘Create Account’ in the top right hand corner
3) Select user type of ‘student’
4) Enter your class ID & Turnitin class enrolment password (these will be e-mailed to you after the drop/add period, or contact academics@nyu.ac.uk if you have misplaced these).
5) Follow the online instructions to create your profile.

To submit your work for class, you will then need to:

1) Log in to the Turnitin website
2) Enter your class by clicking on the class name
3) Next to the piece of work you are submitting (please confirm the due date), click on the ‘submit’ icon
4) Enter the title of your piece of work
5) Browse for the file to upload from wherever you have saved it (USB drive, etc.), please ensure your work is in Word or PDF format, and click ‘submit’
6) Click ‘yes, submit’ to confirm you have selected the correct paper (or ‘no, go back’ to retry)
7) You will then have submitted your essay onto the Turnitin website.
8) Please print your digital receipt and attach this to the hard copy of your paper before you submit it to your professor (this digital receipt appears on the web site, immediately after you submit your paper and is also sent to your e-mail address). Please also note that when a paper is submitted to Turnitin all formatting, images, graphics, graphs, charts, and drawings are removed from the paper so that the program can read it accurately. Please do not print the paper in this form to submit to your lecturers, as it is obviously pretty difficult to read! You can still access the exact file you uploaded by clicking on the ‘file’ icon in the ‘content’ column.

Please also see the Late Submission of Work policy, above.

Students must retain an electronic copy of their work for one month after their grades are posted online on Albert and must supply an electronic copy of their work if requested to do so by NYU in London. Not submitting a copy of a piece of work upon request will result in automatic failure in the assignment and possible failure in the class. NYU in London may submit in an electronic form the work of any student to a database for use in the detection of plagiarism, without further prior notification to the student.

Penalties for confirmed cases of plagiarism are set out in the Student Handbook.

Required Text(s)

There is no required textbook for this course as the course material distributed to students is quite substantial.

However, some students might find it useful to read the topics in a textbook again. A very easy textbook which covers most (if not all) of the topics in this course is the recommended textbook used in New York. It is however not necessary to have the latest edition of this textbook as the changes from edition to edition are minimal. Many other textbook cover the same material and are also suitable.


Supplemental Texts(s) (not required to purchase as copies are in NYU-L Library)


There are numerous textbook which cover the topics in this module.

Internet Research Guidelines

N/A

Additional Required Equipment

None

Session 1

Financial Markets, Investors and the Investment Process

4th Sept.

Session 2

Valuation Techniques
11\textsuperscript{th} Sept.

Session 3  
Measuring Risk and Return

18\textsuperscript{th} Sept.

Session 4  
Equity Investments

25\textsuperscript{th} Sept.

Session 5  
Portfolio Theory

2\textsuperscript{nd} Oct.

Session 6  
\textit{Excel Demonstration} : Calculating Risk, Returns and Portfolio Theory

9\textsuperscript{th} Oct.  
1\textsuperscript{st} assignment : Mid Term Test

Session 7  
Asset Allocation and International Diversification

16\textsuperscript{th} Oct.

Session 8  
Capital Asset Pricing Model

23\textsuperscript{rd} Oct.

Session 9  
Asset Management and Performance Measures

25\textsuperscript{th} Oct.  
(Friday)

Session 10  
Fixed Income Securities 1

30\textsuperscript{th} Oct.  
2\textsuperscript{nd} assignment : Excel Project (exact date and time announced in class)

Session 11  
Fixed Income Securities 2

13\textsuperscript{th} Nov.

Session 12  
Introduction to Derivatives

20\textsuperscript{th} Nov.
Session 13
Introduction to Options
27th Nov.

Session 14
Introduction to Futures
4th Dec.

Session 15
3rd assignment: Closed Book Exam (2 hours)
11th Dec.

Classroom Etiquette
[Click here and enter information about classroom etiquette.]

Required Co-curricular Activities
None

Suggested Co-curricular Activities
London Walks (City of London) – if offered

Your Instructor

Dirk Nitzsche affiliation with New York University in London goes back to 2001 when he started teaching the module Foundations of Finance (previously known as Foundations of Financial Markets).

Currently he works for Cass Business School (City University, London) which he joined as a Senior Lecturer in Finance in October 2004. Before joining Cass Business School he spent 6 years at the Business School at Imperial College, London.


His research interests can broadly be described as asset pricing and efficiency of financial markets and more recently he analyses the performance of unit trusts and hedge funds. His recent research addressed the question whether the performance of mutual funds can be explained by luck or skill and calculations about the False Discovery Rate of well performing mutual funds. The new project looks at aspects of persistence of mutual fund performance.
A list of publications and more information about the textbooks can be found on the home page http://www.cass.city.ac.uk/experts/d.nitzsche