NEW YORK UNIVERSITY
STERN SCHOOL OF BUSINESS

FOUNDATIONS OF FINANCE (B01.2311.0P)
Summer II 2005
(July 3 – August 7, 2005)

Professor Yoram Landskroner

Class: K-MEC 2-90
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SYLLABUS

Texts

Ross, Westerfield and Jordan (RWJ), Essentials of Corporate Finance, 4th Edition, 2005
CUSTOM PUBLICATION

Other Readings


Prerequisites

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

Grades, Exams and Problem Sets

Grades will be based on a final exam (80%) and problem sets (20%). The final grades will follow the grading standards of the Department of Finance.
Exams The final exam is a comprehensive in-class exam, consisting of multiple-choice questions with short explanations. It is a closed book, but you can bring in one 8.5”x11”
page of notes and should bring in your calculator. You may not enter any formulae or data in your calculator.

**Problem Sets** over the course of the semester about 9 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).

**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 (or HP12C) is suitable. You will need it for homework and exams (no laptop permitted in exam).

**Class Attendance and Classroom Civility**

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. Each lecture begins on time; please try not to come late. If you do come late minimize disturbance to your classmates. You may bring a drink or snack to class but not an entire meal. In general respect your classmates desire to learn.

**Honor code**

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

1. Elements of Investments
   Overview of the Financial System
   Markets, Securities and Investors

   BKM: Ch. 1,2,3

2. Time value of Money
   Interest rate calculations
   Net Present Value and Internal Rate of Return
   Applications

   RWJ: Ch. 4,5,8 (pp. 62-67, 73-81)

3. Risk and Return
   Decisions under Uncertainty
   Diversification and Portfolio Analysis

   BKM: Ch. 5 (pp.130-137, 139-148), 6 (pp.168-184, 187-191)

4. Capital Market Equilibrium
   Capital Asset Pricing Model
   Market Model and Estimation of CAPM
   Arbitrage Pricing Theory

   BKM: Ch. 5 (pp.137-139, 148-159), 6 (pp.184-187, 192-200), 7

5. Equity Valuation
   Relative valuation
   Dividend Growth Models

   BKM: Ch. 12

6. Bond Valuation
   Bond Prices and Yields
   Term Structure of Interest Rates
   Managing Bond Portfolio- Duration and Immunization

   BKM: Ch. 9,10

7. Options and Futures
   Options Strategies and Valuation
   Futures and Swaps

   BKM: Ch. 14, 15, 16

8. Market Efficiency (TIME PERMITTING)
   Theory and Empirical Evidence

   BKM: Ch. 8