 **Date:** September 2014

Course Name and Number:

Introduction to Financial Economics I

66-251-80

**Type of course:** Lecture

**Year of Studies:** 2014-2015 **Semester:** Fall **Hours/credits**: 3

**The courses objectives: (Overall Objectives/ Specific Objectives)**

This course is intended to help the student learn to think carefully and productively about financial markets and financial aspects of entrepreneurship. It will provide a survey of questions faced, and techniques used, by financial practitioners.

**Course Plan**

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| Meeting | Topic |
| 1 | Introduction  What is finance?  What were the origins of the 2008 Financial markets crash?  What is quantitative easing? |
| 2 | Valuing patterns of Cash Flows: Present Value and its competitors |
| 3 | Valuing patterns of Cash Flows: perpetuities and projections |
| 4 | When and why do the prices of investments relate to the present value of their future cash flows? |
| 5 | The law of one price and financial engineering .1 |
| 6 | The law of one price and financial engineering .2 |
| 7 | Midterm Examination |
| 8 | Option pricing |
| 9 | The financial markets crash revisited: Normal Accidents |
| 10 | The financial markets crash revisited: Demon of our Own Design? |
| 11 | Real Options and the value of Flexibility.1 |
| 12 | Real Options and the value of Flexibility.2 |

**Grading and administration**

Grades will be assigned on the basis of a midterm examination and final project. Class meetings will be conducted according to the Socratic Method, meaning that students need to be prepared to work actively within class, as well as outside of it. In addition to a supporting, recommended text, frequent readings (either available on the internet or supplied by me) will be assigned.

**Text**: Jonathan Berk and Peter DeMarzo, Fundamentals of Corporate Finance, Prentice Hall, 2012