

**PLEASE NOTE THAT SOME CHANGES COULD BE MADE TO THIS OUTLINE
BEFORE SEPTEMBER 17, 2019**

**Carleton University
Department of Economics**

ECON 3050 A - Introduction to Financial Economics

2019 Fall

Instructor: Professor F. Demers
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Office Hours: To be announced

Lectures: Tuesday 11:35am-2:25pm.
Place: SA 413

Prerequisites: [ECON1001](#) and [ECON1002](#) each with a grade of C- or higher, [ECON 1402](#) (or equivalent) with a grade of C- or higher, and [BUSI 1002](#) or [BUSI 1005](#) with a grade of C- or higher. Precludes additional credit for [BUSI 2504](#), ECON 2504 (no longer offered), [BUSI 2505](#), ECON 2505 (no longer offered).

Students who believe they have taken a similar background course or courses from another university must provide appropriate documentation to the Department of Economics Undergraduate Administrator, Amanda Wright. A grade of C- or higher is required to qualify for ECON 4051 and ECON 4052 and 4057.

DEF(erred final grade) status at the end of this course precludes (continued) registration in any other course for which the former is a prerequisite.

Course Description:

The objectives of this course are as follows:

- a) To introduce some of the basic theories underlying modern financial economics.
- b) To provide an overview of some of the basic tools needed to address concepts such as the time value of money, valuation, asset pricing, portfolio theory, the risk-return trade-off, the cost of capital, and some elements of corporate finance.

Please note that elementary mathematics will be used in this course.

Required Text:

Jonathan Berk, Peter Demarzo, Jarrad Harford, David Strangeland and Andras Marosi, *Fundamentals of Corporate Finance: Third Canadian Edition*, Don Mills, Ontario: Pearson Canada, 2020. (abbreviated as BDHSM)

Additional readings or material may be assigned during the term.

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Adjustments may be made to the following outline during the course of the term depending on time constraints.

COURSE OUTLINE (Tentative, time permitting)

I. Introduction and Principles of Financial Statement Analysis

BDHSM Chapters 1 and 2.

II. Valuing Cash Flows, Interest Rates and the Time-Value of Money

BDHSM Chapters 3 – 6.

III. Valuing Stocks and the Discounted Free Cash Flow Model

BDHSM Chapter 7

IV. Investment Decision Rules: Net Present Value and the Internal Rate of Return Rule

BDHSM Chapter 8

V. Risk and Return in Capital Markets

BDHSM Chapter 10

VI. Systematic Risk, Market Portfolio, the CAPM and the Equity Premium

BDHSM Chapter 11

VII. Determining the Cost of Capital

BDHSM Chapter 12

Grading:

Mid-term examination (October 15)	30%
2 assignments (10% each)	20%
Final examination (scheduled by the University)	50%

Students who miss the midterm exam for a valid reason (documented appropriately) will have the associated weight added to that of the final exam. Should the final exam be missed for any reason, the student must arrange for the possibility of a deferred examination through the Registrar's Office. If granted by the Registrar's Office, this exam will take place during the time designated in the Calendar. Special final exams (or mid-terms) will not be given. The final exam will cover the entire course material but more weight will be given to topics covered after the mid-term.

Standing in a course is determined by the course instructor subject to the approval of the Faculty Dean. This means that grades submitted by the instructor may be subject to revision. No grades are final until they have been approved by the Dean. Application to write a deferred final examination must be made at the Registrar's Office. No course grades are final until approved by the Faculty Dean.

Two assignments will be given to complement the lectures and will be marked for credit. It is strongly recommended that students do them carefully in order to improve their understanding of classroom material. Late assignments will not be graded, but provided the student has a valid reason (documented appropriately), the weight of the assignment will be added to that of the final exam.

CuLearn and e-mail:

This course will make use of CuLearn as well as the Carleton University e-mail system. I will post PowerPoint slides, assignments, problem sets, answer keys, additional readings etc. on CuLearn. It is each student's responsibility to check this website for posted material.

I will also send the class announcements by e-mail using CuLearn. **It is your responsibility to check your e-mail frequently.** If you do not have a CuLearn account, please visit: www.carleton.ca/culearn
Please also note: "Student or professor materials created for this course (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the author(s). They are intended for personal use and may not be reproduced or redistributed without prior written consent of the author(s)."

Re-marking:

Any request for the remarking of exams or assignments must be submitted in writing within two weeks of that assignment or exam first being returned to the class. The request should contain a detailed explanation of why you feel you should receive a higher mark. Please note that remarking will apply to the entire assignment or exam, and not just to the contentious question. As a result, the revised mark may be higher than, lower than or the same as the original mark.

Plagiarism:

Please be aware that plagiarism is a serious offence at Carleton and should be recognized and avoided. For further information on how to do so, please see "Pammett on Plagiarism and Paraphrasing" at www.carleton.ca/economics/courses/writing-preliminaries.

Requests for Academic Accommodation:

You may need special arrangements to meet your academic obligations during the term. For an accommodation request, the processes are as follows:

Pregnancy obligation:

Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, visit the Equity Services website: carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf

Religious obligation:

Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, visit the Equity Services website: carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf

Academic Accommodations for Students with Disabilities:

If you have a documented disability requiring academic accommodations in this course, please contact the Paul Menton Centre for Students with Disabilities (PMC) at 613-520-6608 or pmc@carleton.ca for a formal evaluation or contact your PMC coordinator to send your instructor your Letter of Accommodation at the beginning of the term. You must also contact the PMC no later than two weeks before the first in-class scheduled test or exam requiring accommodation (if applicable). After requesting accommodation from PMC, meet with your instructor as soon as possible to ensure accommodation arrangements are made. For more details, visit the Paul Menton Centre website carleton.ca/pmc

Survivors of Sexual Violence:

As a community, Carleton University is committed to maintaining a positive learning, working and living environment where sexual violence will not be tolerated, and its survivors are supported through academic accommodations as per Carleton's Sexual Violence Policy. For more information about the services available at the university and to obtain information about sexual violence and/or support, visit: carleton.ca/sexual-violence-support

Accommodation for Student Activities:

Carleton University recognizes the substantial benefits, both to the individual student and for the university, that result from a student participating in activities beyond the classroom experience. Reasonable accommodation must be provided to students who compete or perform at the national or international level. Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, see [the policy](#).