

# Economic Foundations of Finance

FIN-UY2003, FALL 2018

Tandon School of Engineering, NEW YORK UNIVERSITY

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Department of Finance and Risk Engineering

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Class time: Mon 5:30-8:10pm

Graduate Assistant: Dongkyu Choi [dc3491@nyu.edu](mailto:dc3491@nyu.edu)

Location: Jacobs Academic Bldg  
Room 678

**Course Description:** This introductory course covers important foundations in financial economics and focuses particularly on microeconomics. We will study a variety of topics emphasizing demand and supply model, behavior of consumers and firms, production theory, and discuss how markets work and decisions are made under perfect and imperfect competitive structure. The course will help students to apply their theoretical knowledge, key concepts and tools to real world business strategic decision and financial analysis.

**Required Textbook:** *Microeconomics*, Robert S. Pindyck and Daniel L. Rubinfeld. 8th Edition. Prentice Hall. Additional readings will be assigned during the semester.

**Assignment:** Homework must be submitted on scheduled time to the graduate assistant, who will grade all problem sets. Announcements will be made on NYU Classes and emails will be sent regarding the instructions and topics of the homework problems (you must make sure to check your email). You must submit your homework before the scheduled time. Late homework will not be accepted unless there are special extenuating circumstances (late homework will get partial credit). The graduate assistant will be in charge of questions on grading of the assignments and explanations.

**Exams:** There will be two short exams, midterm exam, and final exam. You may bring a calculator, but not allowed to use the textbook and laptop/ipad/iphone to any exam. Each student is expected to work individually. During the exam, any questions should be asked of the instructor. Any student found to be cheating or helping others to cheat will receive a failing grade, and will be reported. Graduate assistant is available for tutoring during his/her office hours.

**Participation:** Students should attend each class. Because you cannot participate if you are not present in class, missing classes and lateness can lower your grade.

**Presentation:** Students will work together in a group (2 students) or individually on a specific topic/issue, present and share their research in class. Students will demonstrate knowledge of chosen topic related to the class and present recent development, trends, importance, and challenges. For example, certain market or company analysis. Students must choose the topic and schedule it in advance. The relevance of particular tools and ideas will be infused throughout the semester. Presentations will begin after the Midterm through week 13 of the semester. Details will be discussed in class and directions will be provided. Power Point presentations should be posted on NYU classes. It is worth 10% of your final grade.

## Grade breakdown:

Two in-class exams:	20%	Homework:	10%
Midterm Exam:	20%	Presentation:	10%
Final Exam:	30%	Class Participation:	10%
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Total		100%	

**Outline:**

Topics
Chapters 1 – Introduction; and Overview of the Course
Chapter 2 –Supply & Demand; Market Equilibrium; Surplus &Shortage; Elasticity
<i>Exam* #1</i>
Chapter 3 – Consumer Behavior
Chapters 4 – Individual and Market Demand
Chapters 6 – Production
Chapter 7 – The Cost of Production
<i>Midterm Exam*</i>
Chapter 8 – Profit Maximization and Competitive Supply
Chapters 9 The Analysis of Competitive Markets
Chapter 10 – Monopoly and Monopsony
<i>Exam* #2</i>
Chapter 12 – Monopolistic Competition and Oligopoly
Chapters 13 – Game theory
Chapter 5 – Uncertainty and Consumer Behavior; Risk Analysis
<i>Final Exam</i>

\* Chapters tested in the exams as well as problem sets are subject to modification.

**Note:**

1. Unless there are special extenuating circumstances, make-up exams will not be given. Extenuating circumstances, such as an extended illness requiring hospitalization or visit to a physician (with documentation); a family emergency; observance of a religious holiday.
2. There will be NO extra credit/makeup work; No incompletes.
3. You should frequently check emails. **Email subjects** should always include "ECON" or "FIN 2003".
4. This syllabus is subject to change. Please check the course announcements frequently.
5. The use of cell phone is not allowed in class.