

New York University Tandon School of Engineering

Finance and Risk Engineering
FRE-GY6023 Financial Economics

Spring 2018
U.Nyambuu

Mon 5:30-8:00pm; RGSB 505

To contact professor: un217@nyu.edu Grader: _____ : _____@nyu.edu

Office: 12 Metrotech 26th Floor

Phone: 646-997-3458

Office hours: by appointment

Course Pre-requisites Matriculation into a graduate program sponsored by the Department of Finance & Risk Engineering, or permission of the department.

Course Description This financial economics course covers important foundational issues in both finance and microeconomics with an emphasis on how consumers and firms make investment and financing decisions. Quantitative tools, strategies and analytical techniques of economic analysis will be applied to financial problems. It covers selection and pricing of risky assets through mean-variance portfolio choice, and Capital Asset Pricing Model.

Course Objectives By the completion of this course, students will be able to apply their theoretical knowledge and empirical skills to real world business decision and financial analysis. Students will understand how the consumers make decision and how different firms operate. Students will develop understanding on how market works and how demand and supply interact to determine market price. Students will also develop knowledge on how investors value firms, how firms make financing and investment decision. Students will expand their knowledge on portfolio choice and capital asset pricing model.

Course Structure Lectures, discussions, course readings, case studies, NYU classes, team work, presentation.

Readings The required text for the course is:

Managerial Economics: Theory, Applications and Cases, Eighth Edition; Allen, Doherty, Weigelt and Mansfield; W. W. Norton, 2013, ISBN: 978-0-393-91277-7.

Financial Economics, F.J.Fabozzi, E.H. Neave, G.Zhou, 2011, ISBN-10: 0470596201

Course requirements Reading before class, class participation, presentation, attendance, assignments, problem solving, exams.

Homework (10%):

Announcement/email will be posted/sent about the homework problems. You must submit your homework to the NYU classes before the due date and time. Late homework will not be accepted unless there are special extenuating circumstances. Grader is in charge of all the grading. If you have questions about the course material you can meet with the Grader during the office hours.

Quiz 1 (10%); Quiz 2 (10%); Midterm Exam (30); Final Exam (30)

There will be two in class assignments (closed book), midterm exam, final exam. You can bring a calculator but not allowed to use the textbook and laptop/ipad/iphone. Each student is expected to work individually. Any student found to be cheating or helping others to cheat will receive a failing grade, and will be reported.

Presentation 10%

Students individually will work on the chosen topic (from the 2nd textbook Financial Economics) and present in class. Date and topic of the presentation should be informed and coordinated in advance with the instructor. Students will upload their presentation material on the NYU Classes. More details will be discussed in class.

Outline:

Topics	
ME Chapters 1 – Introduction	
ME Chapter 2 – Demand Theory ME Chapter 3 – Consumer Behavior	
ME Chapter 5 – Production Theory ME Chapters 6 – The Analysis of Costs	
ME Chapter 7 – Perfect Competition ME Chapter 8 – Monopoly and Monopolistic Competition	
ME Chapter 11 – Oligopoly ME Chapter 12 – Game Theory	
ME Chapters 9 – Price Discrimination	
Midterm Exam	
***FE Chapter 2 Consumer Financial Decisions FE Chapter 3 Creating Wealth by Investing	
FE Chapter 4 How Investors Value Firms FE Chapter 5 Firm Financing Decisions FE Chapter 6 Firm Investment Decisions	
FE Chapters 7 Financial Systems, Governance, Organization FE Chapter 8 Market, Intermediary, and Internal Governance	
FE Chapters 9 The Micro Foundations of Financial Econ. FE Chapter 10 Contingent Claims and Contingency Strategies	

FE Chapters 13 Mean-Variance Portfolio Choice FE Chapter 14 Capital Asset Pricing Model	
FE Chapters 20 Capital Market Imperfections FE Chapter 21 Impediments to Arbitrage	
FE Chapters 22 When Capital Structure Decisions Matter	
<i>Final Examination</i>	

* problems and topics are subject to modification.

***ME* indicates Managerial Economics and *FE* indicates Financial Economics.

*** Additional topic on the relationship between Macroeconomics and Finance (Money market, Bond market, Interest rate determination, Demand for asset etc.).

Note:

- Chapters tested in the exams as well as problem sets are subject to modification.
- When you send an email to the instructor make sure the subject of the email has the full course number “FRE 6023”.
- 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.
- There will be NO extra credit/makeup work; No incompletes.
- Additional readings and papers will be assigned during the semester.
- This syllabus is a guide for the course and subject to change.

Moses Center Statement of Disability

If you are student with a disability who is requesting accommodations, please contact New York University’s Moses Center for Students with Disabilities at [212-998-4980](tel:212-998-4980) or mosescsd@nyu.edu. You must be registered with CSD to receive accommodations. Information about the Moses Center can be found at www.nyu.edu/csd. The Moses Center is located at 726 Broadway on the 2nd floor.