New York University Tandon School of Engineering  
Finance and Risk Engineering  
FRE-GY6023 Financial Economics  

Spring 2018  
U.Nyambuu  

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

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


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:**

<table>
<thead>
<tr>
<th>Topics</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ME Chapters 1 – Introduction</td>
<td></td>
</tr>
<tr>
<td>ME Chapter 2 – Demand Theory</td>
<td></td>
</tr>
<tr>
<td>ME Chapter 3 – Consumer Behavior</td>
<td></td>
</tr>
<tr>
<td>ME Chapter 5 – Production Theory</td>
<td></td>
</tr>
<tr>
<td>ME Chapters 6 – The Analysis of Costs</td>
<td></td>
</tr>
<tr>
<td>ME Chapter 7 – Perfect Competition</td>
<td></td>
</tr>
<tr>
<td>ME Chapter 8 – Monopoly and Monopolistic Competition</td>
<td></td>
</tr>
<tr>
<td>ME Chapter 11 – Oligopoly</td>
<td></td>
</tr>
<tr>
<td>ME Chapter 12 – Game Theory</td>
<td></td>
</tr>
<tr>
<td>ME Chapters 9 – Price Discrimination</td>
<td></td>
</tr>
</tbody>
</table>

**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**

<table>
<thead>
<tr>
<th><strong>Final Examination</strong></th>
</tr>
</thead>
</table>

* 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 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.