Course Description: This course provides an introduction to basic concepts of financial management and corporate finance. The main objective is to provide an understanding of financial decisions that a firm has to make. While doing that, we will also go into details of security valuation, especially in the case of debt financing (bonds) and equity financing (stocks).


Required Lecture Notes: The entire set of lecture notes for Eco 4368 can be found and printed from my website at http://faculty.smu.edu/ozerturk/teaching.html

Attendance Policy: Attendance is absolutely mandatory and will count for 10% of your grade. Your grade from attendance will be determined on a pro rata basis. If you miss half of the classes, you will lose half of the credit available for attendance.

Office Hours: Monday and Wednesday 4:00 pm-6:00 pm or by appointment.

Grading: Grading will be based on attendance, two midterm exams and one final exam with the following weights:

- Attendance: 10%.
- 2 Midterm Exams: 30% each
- 1 Final Exam: 30%. The Final exam is not comprehensive, but covers only the last part of the course.

Make-up Exam Policy: No make-up exams will be offered except in cases of documented medical or family emergency.
• **Disability Accommodations:** In accordance with the Americans with Disabilities Act, if you need academic accommodations for a disability, you must first contact Ms. Rebecca Marin, Coordinator, Services for Students with disabilities (214-768 54 63) to verify the disability and establish eligibility for accommodations.

• **Religious Observance:** Religiously observant students wishing to be absent on holidays that require missing class should notify me in writing at the beginning of each semester, and should discuss with, in advance, acceptable ways of making up any work missed.

• **Excused Absences For University Extracurricular Activities** Students participating in an officially sanctioned, scheduled University extracurricular activity will be given the opportunity to make up class assignments or other graded assignments. It is the responsibility of the students to notify me in advance and make arrangements.

**Learning Outcomes**

- Students will gain familiarity with the pricing and valuation principles of financial securities like bonds and stocks.
- Students will be able to understand the driving forces that determine a firm’s capital budgeting and financing decisions.
- Students will be able to have an informed view of current events in the financial markets through discussions of current financial newspaper articles.
- Students will gain familiarity with the basic risk management techniques widely used in the financial services industry.

**Tentative Course Outline**

- Risk and Return, Diversifiable Risk versus Market Risk
- Security Market Line and CAPM
- Time Value of Money
- Bonds and Their Valuation
- Interest Rate and Maturity Risk on Bonds, Concept of Duration

Midterm 1 (June 16th, Tuesday)

- Common Stock Valuation with Constant Dividend Growth
- Cost of Capital (WACC)
- Choice between External and Internal Equity Financing

Midterm 2 (June 23rd, Tuesday)

- Capital Budgeting, Review of Decision Rules in Capital Budgeting
- Derivatives and their Use in Risk Management
- Optimal Portfolio Problem of a Risk Averse Investor

Final (July 2nd, Friday)