

## **FINA 4000: Money and Capital Markets**

**Term:** Spring 2008

**Call #:** 42094; **TR** 12:30 – 1:45 PM; **Journalism 401**

**Call #:** 62095; **TR** 02:00 – 3:15 PM; **SLC 171**

**Instructor:** Professor Rajesh Narayanan

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**Office Hours:** By appointment

### **Course Catalog Description**

The operations and functions of domestic and international finance markets and institutions. The determinants of bond prices and the level and structure of interest rates. Techniques for measuring and managing risk in financial markets.

### **Prerequisites/Co-requisites/Cross Listings**

FINA 3000 and (MSIT 3000 or STAT 3000)

### **University Honor Code and Academic Honesty Policy**

*"I will be academically honest in all of my academic work and will not tolerate academic dishonesty of others." — UGA Student Honor Code*

All academic work must meet the standards contained in "A Culture of Honesty", the University's policy and procedures for handling cases of suspected dishonesty ([http://www.uga.edu/ovpi/academic\\_honesty/academic\\_honesty.htm](http://www.uga.edu/ovpi/academic_honesty/academic_honesty.htm)).

All students are responsible to inform themselves about those standards before performing any academic work.

### **Attendance/Make-up Assessment/Drop Policy**

Due to the nature of this course, regular attendance is expected so that you may benefit from in-class discussions and applications to real-world issues.

An inability to attend class or turn in an assessment due to religious, personal or other extenuating circumstances that may arise is certainly understandable. Regardless of the reason, if you know in advance that you are going to be unable to attend class or complete your assignment, it is required that you provide the instructor with advance notice. This is so that suitable alternative plans can be made that will ensure that you and your fellow students are provided with equal opportunity and treatment. Make-up assignments will be handled on a case-by-case basis.

Dropping the course may be done in accordance with the guidelines established in the University of Georgia Schedule of Classes (<http://www.bulletin.uga.edu/bulletin/ind/acadcalendar.html>).

### **Course Objectives**

This course introduces the student to the financial system and its various components, namely financial markets, financial instruments, financial institutions and the role regulation plays in the financial system. The objective of the course is to develop a consistent analytic framework to understand the need, structure and consequent role of the financial system (its components) in the economy. Issues related to the globalization of financial markets will also be introduced within the analytic framework developed in the course.

### **Course Materials and Website**

• Required Textbook:

- R. Glenn Hubbard, Money, the Financial System, and the Economy, 6<sup>th</sup> edition

We have a WebCT website for the course (<http://terry.webct.com>). The website will include the material to accompany the lectures, important notices, and identification of materials of interest to the class. The site will be used for communication with the student.

Students are welcome to stop by my office any time. It is a good idea to send an e-mail first if you want to be sure to catch me in. I also respond to e-mail questions as quickly as possible.

### **Grading Policy**

There will be three exams including the final. Each exam is intended to cover only the material assigned since the most recent exam although concepts developed in earlier chapters will necessarily be employed in later chapters. You will be allotted 1 class period to take each examination. Exam dates are indicated in the course calendar.

There will be 8 online homework assignments on WebCT that you will be required to complete by 12:00 noon on the date indicated in the calendar.

Your performance in the course will be based on the assessments shown below:

Homework:	8 @ 5%	= 40%
Exams:	3 @ 20%	= <u>60%</u>
Total:		100%

All requests for review of graded work must be made promptly (within one week of the return of the work) and must be in writing. The request should include clear analysis of how the work was interpreted or graded inaccurately.

A letter grade based on your total marks will be assigned as follows:

	A = 92-100%	A- = 90-91%
B+ = 87-89%	B = 82-86%	B- = 79-81%
C+ = 77-78%	C = 72-76%	C- = 69-71%
D+ = 67-68%	D = 62-66%	D- = 59-61%

### **Class Preparation**

It goes without saying that your comprehension of the material that is covered in class will improve if you read the chapter prior to coming to class, and if not surely after class. The homework assignments are designed to keep you on track and ensure that you are well prepared for the exam.

## Course Calendar

The course syllabus is a general plan for the course; deviations announced to the class by the instructor may be necessary.

<b>Date (Day)</b>	<b>Topic</b>	<b>Chapter</b>
1/8 (Tu)	Overview of the Financial System	Chapter 3
1/10 (Th)		
1/15 (Tu)	Interest Rates and Rates of Return	Chapter 4
1/17 (Th)	HW #1 due (1/21)	
1/22 (Tu)	Theory of Portfolio Allocation	Chapter 5
1/24 (Th)	HW #2 due (1/28)	
1/29 (Tu)	Determining Market Interest Rates	Chapter 6
1/31 (Th)	HW #3 due (2/4)	
2/5 (Tu)	Risk Structure and Term Structure of Interest Rates	Chapter 7
2/7(Th)	HW #4 due (2/11)	
2/12 (Tu)	<b>EXAM 1</b>	
2/14 (Th)	Foreign Exchange Markets	Chapter 8
2/19 (Tu)	HW #5 due (2/20)	
2/21(Th)	Derivative Securities and Derivative Markets	Chapter 9
2/26 (Tu)	HW #6 due (2/27)	
2/28 (Th)	Information and Financial Market Efficiency	Chapter 10
3/4 (Tu)	Reducing Transaction Costs and Information Costs	Chapter 11
3/6 (Th)		
3/11(Tu)	SPRING BREAK	
3/13 (Th)		
3/18 (Tu)	<b>EXAM 2</b>	
3/20 (Th)	What Financial Institutions Do	Chapter 12
3/25 (Tu)		
3/27 (Th)	The Business of Banking	Chapter 13
4/1 (Tu)	HW # 7 due (4/2)	
4/3 (Th)	The Banking Industry	Chapter 14
4/8 (Tu)		
4/10 (Th)	Banking Regulation: Crisis and Response	Chapter 15
4/15(Tu)	HW #8 due (4/16)	
4/17 (Th)	Banking in the International Economy	Chapter 16
4/22 (Tu)		
4/24 (Th)	Review	
	<b>FINAL EXAM</b> as per university schedule	