



TERRY College of Business, The University of GEORGIA
FINA4000 – MONEY & CAPITAL MARKETS
(Financial Markets and Institutions)
S Y L L A B U S

(a) ID=24167; 8:00-9:15 am; Tue/Thu; Caldwell 107; (b) ID=44168; 11:00-12:15; Tue/Thu; Peabody 115;
(c) ID=64169; 2:00-3:15; Tue/Thu; Visual Arts 116
Spring Semester 2009; Instructor: Matt BLASKO, Ph.D. ; Brooks Hall G6, mblasko@uga.edu

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

A. COURSE FOCUS, OBJECTIVES, and STRUCTURE

This course focuses on money, financial markets, institutions and instruments. The objectives are: (1) to provide a perspective on how the financial sector fits in to the economy and organizes resources; (2) to help you understand the importance of money, credit, and interest rates; (3) to describe the functions of various financial markets - money and bond markets, derivatives markets, and their numerous financial instruments; (4) to help you understand the regulations and objectives of government agencies such as the Fed (Federal Reserve Bank) and the SEC (Securities and Exchange Commission) among others; (5) to provide a perspective on the business of financial institutions such as commercial banks, insurance companies, mutual and pension funds; and (6) to provide the terminology to effectively communicate issues involving financial markets, instruments, and institutions.

The course will be composed of lectures, case study analyses, and class discussions. Students are encouraged to ask questions and introduce current (relevant) topics from business periodicals such as the *Wall Street Journal*. The class requires regular class attendance and substantial effort devoted to reading assigned chapters and problem solving.

B. PREREQUISITES

Students are expected to have FINA3000 – Financial management, and a Personal Computing or an Information Systems course. I also expect students to know the basic statistical concepts including: a probability distribution, mean, covariance, correlation, and standard deviation.

C. INSTRUCTOR CONTACT

Office Hours: Tue & Thu : 9:30-10:30am; 3:30-5pm, and by appointment. Brooks Hall G6. Students are encouraged to stop by during my office hours. Short inquiries are most efficiently and preferably handled thru **email** : **mblasko@uga.edu** . The response time is very short – usually less than 24 hours. Because of various technology and spam-filter issues, please email again if I don't respond within two days. In case of an emergency, call my office: 706-542-2920. Longer questions require an office visit. You will have to read all announcements posted on the course website.

D. COURSE WEBSITE

The official course website is: **<http://mblasko.myweb.uga.edu/fina4000>**
Students are responsible for all announcements posted on this website! It is the official source of information about the class, case studies, exams, and upcoming assignments. My lecture notes will be posted on this website. This should help you focus on the issues rather than tedious notes taking. However, class notes are not a substitute for the textbook or a regular class attendance.

E. COURSE REQUIREMENTS and GRADING

REQUIREMENTS :

(a) Midterm (30%) and Final Exams (35%). You should be familiar with all topics discussed in class up to the exam date. The final exam is cumulative.

(b) Two Case Study Analyses (9% each) : i) WorldCom Bond Issuance; ii) State of Conn Munis. You have to prepare a written detailed analysis of these case studies. These are group projects (3 or 4-members), and teams will submit their case reports to the instructor by the due date. No late submissions will be accepted.

(c) Presentation (7%), Homeworks (10%), and Class Participation.

Each group will present one article (a sign-up sheet will be provided). Your group may choose your own topic (subject to my approval) or one of the articles (cases) listed on the next page. There will be several homeworks throughout the semester. I may award extra bonus points for extraordinary class contributions (active class participation).

GRADES: Your course grade (A thru F, W) will be consistent with the official UGA grading scale and will be determined by the total course points (0-100) calculated as the weighted average of individual grade points. Approximate scale: A [94-100), A- [90-94), B+ [87-90), B [83-87), B- [80-83), C+ [76-80), C [70-76), D [60-70), F (0-60). The "C-" is not used.

EXAMS: Exams will be administered at the designated times only, and a missed exam will carry a grade of zero unless explicitly excused by a physician or the Department of Student Affairs. Formats and scope will be announced at least one class period prior to the test date. Final exam is cumulative, but most of the material will be from the second half of the semester. The textbook, lectures (including handouts and current events discussed in class), and any other assignments provide exam material. Since these materials do not necessarily overlap, reading the text, taking class notes, and reading about current events should all be positive net-present-value projects.

F. POLICIES

The class requires a regular **class attendance** and substantial effort devoted to reading assigned chapters and problem solving. To obtain the equivalent understanding of one hour of class time takes about two to three hours of additional study. It is not acceptable to come late to class. If you have something to say, share it with everybody.

Academic Honesty. *All academic work must meet the standards contained in "A Culture of Honesty." All students are responsible to inform themselves about those standards before performing any academic work.* Honesty is a fundamental principle of academic, business and community life. Students are expected to demonstrate the highest degree of honesty in performing assigned work. Please consult the UGA academic code of honesty. Matters that are unclear should be discussed with the Instructor.

Academic honesty means performing all work without plagiarism, cheating, lying, giving or receiving unauthorized assistance. Examples of academic dishonesty include: a) using someone else's words, opinions, or ideas without giving proper credit to the source; b) copying or allowing another to copy answers during a quiz or exam; c) using unauthorized material to complete an assignment.

G. COURSE MATERIALS

(1) **Textbook** (required) : *Financial Institutions, Markets and Money*, by Kidwell, Peterson, Blackwell, Whidbee, 10th OR 9th edition. The textbook is available at the OU Bookstore, and online at bn.com.

(2) **Case Studies, Notes, and other Articles** (required) : available from <http://study.net> and from <http://erisk.com> websites. These websites require student registration, and study.net will also charge a royalty fee for the selected case studies, and papers. The list of materials is provided below. Lecture Notes will be posted on the course website.

(3) **A financial calculator (required)**. Please bring it to every class and to the exams. The least expensive calculator that does net present value analysis is fine – e.g. “Texas Instruments BA II Plus”.

(4) **Business newspapers and journals** (optional): *The Wall Street Journal, The Economist, Fortune, Business Week*. Get in the habit of reading news about financial markets and events on a weekly basis.

H. CASE STUDIES (CS) and ARTICLES (A)

(1) The nature of Man, by Michael Jensen, and William Meckling, (A)

- *The New Corporate Finance - Where Theory Meets Practice*, edited by Donald H. Chew, Jr., Irwin/McGraw-Hill, 1998.

(2) Capital Markets and Democracy, by Reuven Brenner, *Journal of Applied Corporate Finance*. (A)

Note: (3-6) available from <http://study.net>

(3) WorldCom, Inc.: Corporate Bond Issuance. *Darden Case Study: UVA-F-1237* (CS)

- Subject: capital markets, bond issues, cost of debt, yield curves, public vs. bank debt
- Description: determination of a firm’s capital costs (inflationary expectations, risk premia, liquidity) via the pricing of a large corporate-debt issue.

(4) State of Connecticut Municipal Swap; Revised 1994; *Harvard Case 9-291-024*

- Subjects: Capital markets; Debt management; Interest rates; Long term financing;

(5) How Financial Engineering Can Advance Corporate Strategy, by Peter Tufano, (A)

- *Harvard Business Review*, Jan-Feb 1996.
- Subject: Five mini-cases about firm strategy and derivatives’ use.

(6) Why Manage Risk, *Harvard Business School Note: 9-294-107* (A)

- Subject: Theory of risk management: sound reasons to hedge.

• **Mini-risk topics** : Additional “starter” articles are available for free from <http://erisk.com> : LTCM; US Savings and Loan Crisis; Barings; Bankers Trust; Bank of Credit and Commerce; Credit Lyonnais; Orange County.

• **Other available topics** : Asset Backed Securities and Securitization; Federal Financial Housing Agencies; Survey of Property and Real-Estate markets; Survey of Asset Management; Survey of Pensions; Survey of International Banking and Basel Regulation; AIG bailout. Additional topics based on student interest are possible – subject to Instructor’s approval.

K. CLASS SCHEDULE

Week	Dates	Topic	Readings
1	Jan 8	Introduction to the course Basic Concepts	Homework
2	Jan 13, 15	Financial system, Overview Markets & Institutions <i>Presentation</i> – “The Nature of Man”	Chapter 1
3	Jan 20, 22	Money, Prices, Inflation, the Fisher Effect <i>Presentation</i> – “Capital Markets and Democracy”	Chapter 4, 5
4	Jan 27, 29	Interest Rates, Bond Pricing Federal Reserve System and Monetary Policy	Chapter 6, 7
5	Feb 3, 5	The Structure of Interest Rates	Chapter 2, 3
6	Feb 10, 12	Term Structure of Interest Rates cont., Money Markets <i>Presentation</i> – “Federal Financial Housing Agencies”	Chapter 8, 9
7	Feb 17, 19	Bond and Mortgage Markets	Chapter 10
8	Feb 24 Feb 26	<i>Presentations</i> – “Survey of Property” <i>Case Study</i> - WorldCom Bond Issuance, REPORT DUE	Study.net
9	Mar 3 Mar 5	<i>Presentations</i> – “Asset Backed Secs” MIDTERM	
10	Mar 10, 12	NO CLASS, SPRING BREAK	
11	Mar 17, 19	Risk Management in Financial Institutions, <i>Presentations</i> - “How Fin Engineering ...”	
12	Mar 24, 26	Derivatives Markets ; SWAPS <i>Presentations</i> – “Barings Bank”; “Bankers Trust”	Chapter 11 Lecture notes
13	Mar 31 Apr 2	Commercial Bank Operations <i>Case Study</i> – State of Conn Munis, REPORT DUE	Chapter 13, 14 Study.net
14	Apr 7, 9	Bank management and Profitability <i>Presentations</i> – “S&L Crisis” ; “Survey of Intl Banking”	Chapter 15, 16
15	Apr 14, 16	Insurance Companies <i>Presentations</i> – “AIG bailout” ; “Orange County”	Chapter 18
16	Apr 21, 23	Mutual Funds, Hedge Funds and Pension Funds <i>Presentations</i> – “A survey of Pensions”; “LTCM”	Chapter 19, 20
17	Apr 28 Apr 30	Review NO CLASS, Monday schedules in effect	
18		FINAL Exam : (a) 8am class: Tue May 5, 8-11am (b) 11am class: Tue May 5, 12-3pm (c) 2pm class: Tue May 5, 3:30-6:30pm	

NOTE: As every class has its own unique dynamics, the course schedule is only tentative and the instructor may announce changes as necessary. Therefore you need to watch for announcements on the course website.

Tips: Check out the end-of-chapter *Summaries/ Chapter Take-aways* and the in-text “*Do you understand*” questions. The end-of-textbook *Glossary* provides an excellent exam material.