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# Capital University of Economics and Business

## Overseas Chinese College

### Course Syllabus

<b>Year and Semester</b>	2020 Fall (August 29, 2020— January 10, 2021)		
<b>Course Name</b>	Finance		
<b>Course Code</b>	BC301		
<b>Course Type</b>	<input type="checkbox"/> General Education (Required) <input type="checkbox"/> General Education (Elective) <input checked="" type="checkbox"/> Professional Course (Elective) <input type="checkbox"/> Professional Course (Required) <input type="checkbox"/> Basic Disciplinary Course		
<b>Course Credits</b>	3		
<b>Course Hours</b>	51		
<b>Instructor</b>	Tom Spencer		
<b>Contact Information</b>	Office: C204 Tele: (010) 8395 1084 Email: thomas@cueb.edu.cn		
<b>Office Hour</b>	Mon: 10:00—12:00; Tues: 10:00—12:00; Wed: 10:00—12:00		
<b>Learning Centre</b>	Mon: 18:00—20:00; Thurs: 13:30—15:30		
<b>Course</b>	<b>Grade/Section</b>	<b>Place</b>	<b>Time</b>
	2019ACCA2/Y04	A201	Tuesday 15:40 – 17:30 Thursday 09:00 – 09:50

#### **Textbook**

Frederic S. Mishkin, The Economics of Money, Banking, and Financial Markets, Global Edition, 2018, P&C Business, ISBN-13 : 978-1292268859

#### **Course Description**

This is a foundation course for students majoring in finance and economics.

This course is designed to give students an understanding of the dynamic and evolving financial system and how it relates to the aggregate economy. With a general introduction of a few basic economic concepts, an emphasis on US monetary policy and an exploration of how this applies to China's economy, this course will be delivered by developing a unifying framework to help students better understand trends in financial markets and variables such as interest rates, exchange rates, inflation and aggregate output.

### **Student Learning Objectives**

At the end of this course you should:

- (1) Be familiar with the definition, functions, and evolution of money, financial instruments financial markets, and financial intermediaries
- (2) Understand the concepts of future value, present value and how they are applied to the pricing of financial instruments
- (3) Understand the concepts of risk, risk aversion, and their impact in the pricing of financial instruments.
- (4) Understand the functioning of bond markets and the determination of interest rates and bond prices
- (5) Understand the concepts of the term structure of interest rates and the yield curve, and how they can be used to make inferences about economic agents' expectations of the economy
- (6) Understand basic approaches for valuing the price of a stock, the theory of rational expectations, and the efficient market hypothesis.

### **Teaching Methods**

This course contains lectures, class discussions, homework, quizzes, presentation, and exams.

### **Grade Criterion**

<b>Component</b>	<b>Weight</b>	<b>Description</b>
Final Exam	20%	A final examination will be given based on all of the contents of the course. The exam paper may be composed of multiple-choice questions, short answer questions, essay questions, and calculation problems. Students should rely primarily on homework assignments and quizzes to give them a sense of what they may see for material on exams.
Mid-Term Test	20%	A cumulative midterm test will be given based on all of the contents that have been taught in the course. The test paper may be composed of multiple-choice questions, short answer questions, essay questions, and calculation problems.
Homework	10%	Most of the assigned homework is taken from the exercises in the textbook. Assignments will be collected on the date indicated. Late assignments will not be accepted. Graded assignments will be kept by the tutor for reference and won't be returned to students.
Quizzes	20%	There will be at least 2 quizzes during the semester. Quizzes may or may not be announced in advance. It

		may also be used as a way to check the attendance. Quizzes will test your knowledge of both concepts and the application of those concepts.
Presentation	10%	The students will be divided into several groups to prepare a presentation. Each student is required to be involved in the presentation. The topics can be selected from the textbook or lectures. Each group needs to finish a PPT related to their topic and hand in the related resources to the teacher before the presentation.
Participation	10%	Group discussions of the course material are an important part of the learning process in this course. Students are expected to make a meaningful contribution to the class, whether by asking questions, responding to questions, delivering presentations or contributing in other ways to class discussion.
Attendance	10%	Refer to attendance policy listed below
<b>Total</b>	<b>100%</b>	

### Detailed Grade Computation

	Before Midterm	After Midterm
Attendance	5%	5%
Participation	5%	5%
Homework		10%
Quizzes	10%	10%
Presentation		10%
Midterm test	20%	
Final exam		20%
Total	40%	60%

### Grading Policy

A+ 97-100	A 93-96	A- 90-92	B+ 87-89	B 83-86
B- 80-82	C+ 75-79	C 70-74	C- 67-69	D+ 63-66
D 62-60	F 0- 59			

### Exam Schedule

Midterm Test:	October 26 – October 30, 2020
Final Exam:	December 23 – January 1, 2021

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## **Assessment of Student Performance**

### *☞ Self study and English skills*

The instructor will give out the chapters or reference books to read and use class hours for lectures and class discussion; students should be able to show a proactive attitude and ability for self-study and reading. Demonstrating written or oral English skills will be elements of most components of the course assessment including homework and presentations.

### *☞ Attendance*

The course covers a great deal of material, so attending every class session is very important for performing well.

- Being late by 15 minutes or more is considered an absence for that class.
- Each unexcused absence will result in your attendance score being reduced by one mark. Any excused absence must be discussed directly with the instructor.
- Absence which is more than 1/3 of the total teaching hours will cause an F (a failing grade) directly but students are welcome to continue attending classes.
- An incomplete grade (I) will be considered in case of medical or family emergencies.

### *☞ Participation*

- Students should participate in classes actively. They are encouraged to ask questions relevant to the subject and express their own opinions. Every student should respect the ideas, opinions, and questions of their classmates.
- Students should also use office hours to ask questions or talk with the instructor for good communication and effective learning.
- Frequent visiting the instructor and chatting in English during office hours is highly recommended.
- Any misbehavior and non-class related activities in class will result in the lower level of the participation grade, including ringing cell phones.
- All above behaviors will be solely evaluated by the instructor for scoring.

### *☞ Homework*

Students should finish marked homework by themselves. Copying from others will be treated as cheating and the homework scores will be lowered. Students should hand in all assignments on time. Late assignments will be accepted at the discretion of the instructor (i.e., when the student was ill or had an excused absence). Late assignments without reasonable proof will be reduced in score by 50%.

### *☞ Textbook*

Students must bring the textbook to class.

## Course Outline

Week	Date	Schedule
1	1 Sept 2020	Course Overview <i>Introduction</i> Why study money, banking, and financial markets? (Ch 1)
	3 Sept 2020	Defining aggregate output, income, the price level, the inflation rate (Appendix to Ch 1)
2	8 Sept 2020	An overview of the financial system (Ch 2) Function of financial markets Structure of financial markets Debt & equity markets Primary & secondary markets Exchanges & OTC markets Money & capital markets Financial markets instruments Money market & capital market instruments Internationalization of financial markets
	10 Sept 2020	Function of financial intermediaries Types of financial intermediaries Regulation of the financial system
3	15 Sept 2020	What is money? (Ch 3) Meaning of money Function of money Evolution of the payments system Measuring money: M1, M2
	17 Sept 2020	<i>Tutorial: Homework Review for Ch 1 - 3</i>
4	22 Sept 2020	<i>Financial Markets</i> The meaning of interest rates (Ch 4) Present value of cash flows Four types of credit market instruments YTM, rate of return
	24 Sept 2020	<b>Quiz</b>
5	29 Sept 2020	The behavior of interest rates (Ch 5) Determinants of asset demand Supply and demand in the bond market
	1 Oct 2020	Supply and demand in the money market
6	6 Oct 2020	The risk and term structure of interest rates (Ch 6) Risk structure of interest rate Default risk, income tax, liquidity Term structure of interest rate Expectations theory Segmented markets theory Liquidity premium and preferred habitat theories
	8 Oct 2020	Interpreting Yield Curves

7	13 Oct 2020	The stock market, the theory of rational expectations, and the efficient market hypothesis (Ch 7) Computing the price of common stock How the market sets prices
	15 Oct 2020	The theory of rational expectations Efficient market hypothesis
8	20 Oct 2020	<i>Financial Institutions</i> An Economic Analysis of Financial Structure (Ch 8) Basic facts about financial structure worldwide Transaction costs Asymmetric information: adverse selection, moral hazard
	22 Oct 2020	Lemons Problem How moral hazard affects (1) the choice between debt & equity (2) financial structure in debt markets
9	27 Oct 2020	Review
	29 Oct 2020	<b>Midterm test</b>
10	3 Nov 2020	Banking and the Management of Financial Institutions (Ch 9) Bank balance sheets Basic banking General principles of bank management
	5 Nov 2020	Managing credit risk Managing interest rate risk Off balance sheet activities
11	10 Nov 2020	Economic Analysis of Financial Regulation (Ch 10) Government safety net
	12 Nov 2020	Eight types of financial regulation
12	17 Nov 2020	Banking Industry: Structure and Competition (Ch 11) Historical development of the banking system Growth of the shadow banking system
	19 Nov 2020	Structure of the US commercial banking industry Separation of banking from other financial services
13	24 Nov 2020	Financial Crises in Advanced Economies (Ch 12) What is a financial crisis? Dynamics of financial crises Global financial crisis of 2007 – 2009 Global intervention and recovery Stabilizing the global financial system
	26 Nov 2020	<b>Quiz</b>
14	1 Dec 2020	Financial Crises in Emerging Economies (Ch 13) Dynamics of financial crises in emerging market economies
	3 Dec 2020	Preventing emerging market financial crises
15	8 Dec 2020	Presentations
	10 Dec 2020	Presentations
16	15 Dec 2020	Presentations

	17 Dec 2020	Presentations
17	22 Dec 2020	Review
	24 Dec 2020	Review

*Note: Some chapters or sections may be left for self-study, which are the students' duty to learn and understand, they may also be included in the quizzes or exams.*

### **Teacher's Office Hour**

- The instructor's office hours are shown on the front of the office door.
- Students should use the instructor's office hours and learning center to ask questions or talk with the instructor once per week for good communication and effective learning, which is recorded in the students' participation.
- ♦ The time can be scheduled by instructors or students, or both.

### **Cheating and Plagiarism**

Cheating and plagiarism are not tolerated. If any thoughts or writings of another person are used in a relevant assessment, they must be clearly identified (usually using quotation marks) and the source noted. Any student caught cheating or engaging in plagiarism on a relevant assessment will be given a mark of zero (0) for the particular work, and will be subject to disciplinary action in accordance with university policy.

### **Important Dates**

<b>Fall Semester, 2020</b>	<b>August 29, 2020— January 10, 2021</b>
Aug 29-30	Registration (Sophomores and Juniors)
Aug 31	Classes Begin (Sophomores and Juniors)
Sep 5-6	Registration (Seniors)
Sep.7	Classes Begin (Seniors)
Sep.11	Last Day to Drop or Add a Course
Sep.19-20	Registration (Freshmen)
Sep.21-25	Entrance Education (Freshmen)
Sep.28	Classes Begin (Freshmen)
Oct.1	National Day & Mid-Autumn Festival
Oct.26-30	Midterm Test (tentative)
Dec.19-22	Revision (Sophomores and Juniors)
Dec.23 – Jan.1, 2021	Final Exam Period (Sophomores and Juniors)
Dec.26-29	Revision (Seniors)
Dec.30 – Jan.8, 2021	Final Exam Period (Seniors)
Jan.1, 2021	New Year's Day
Jan.4	Winter Vacation Begins (Sophomores and Juniors)
Jan.4-8	Final Exam Period (Freshmen)
Jan.11	Winter Vacation Begins (Freshmen and Seniors)

*Note: This syllabus is tentative and may be changed or modified throughout the semester. All*

*students will be notified of any changes.*

**Instructor:** \_\_\_\_\_

**Department Head:** \_\_\_\_\_