

Principles of Finance

Korea University International Summer Campus
Summer 2017

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Office hour: By appointment

Sections:

1. ISC303A: M-Th 3:00pm-4:40pm, Classroom TBA

Course Description

This course is an introduction to financial market structure and financial asset valuation. The main topics of the course are arbitrage, portfolio selection, equilibrium asset pricing (CAPM), equity valuation, fixed income securities and derivative pricing. You are expected to understand valuation formulas and be able to apply them to new problems. The appropriate tools necessary for solving these problems will be developed at each stage and practiced in the homework assignments. The models we will cover have immediate applications and implications for real-world financial decisions. Every effort will be made to relate the course material to current financial news.

Required and Recommended Materials

Class notes are self-contained. The following book can be useful:

Zvi Bodie, Alex Kane, and Alan J. Marcus, **Essentials of Investments**, 9th Edition, McGraw-Hill Irwin, 2012.

Finally, you need a calculator for this class. It is a distinct advantage to have a financial calculator, but not an absolute requirement. However, if you plan to take other finance classes, you will get good use out of a financial calculator.

Mathematical Skills

Students must be comfortable with basic statistics, linear algebra, and calculus.

Exams

All exams and quizzes are in-class and closed-book. Only financial calculators are allowed. Instead, I will provide a formula sheet with all the relevant formulas. Use of other material (e.g. iPhone) is a violation of the honor code. There will total of two exams and two quizzes. The exams and quizzes will consist of short problems like those on the problem sets and in the lecture notes. The midterm and final exams are during the exam week. Exam and quiz days will be announced later in class.

Homework Assignments

There will be weekly homework assignments graded on a check/no-check basis. You may work in groups but you must write up and submit your assignments individually. Homework will be collected in class; homework turned in within 24 hours of deadline will be considered late and will receive a half point; After 24 hours, no assignments will be accepted unless due to serious illness or family emergency. Electronic submission via email is also accepted. Class participation will be based on questions and comments in class.

Grading

The overall grade for the course will be based on the following:

30%	Midterm
40%	Final
10%	Quiz
10%	Homework
10%	Class participation

The grade curve will be based on the following distribution:

Top 3%	A+
3-15%	A
25-30%	A-
35-45%	B+
50-75%	B
75-80%	B-
100%	C+ or lower

Course Website

Class announcements, lecture materials and homework will be posted on the website.

Cellular Telephones

Students should turn off cell phones before entering class. Interruptions caused by a ringing cell phone may be considered as part of the grade.

Academic Integrity

The University Honor Code applies. You are responsible for known and abiding by the rules.

If you engage in an act of academic dishonesty, you become liable to severe disciplinary action. Such acts include cheating; falsification or invention of information or citation in an academic

endeavor; helping or attempting to help others commit academic infractions; plagiarism; offering bribes, favors, or threats; academic interference; computer related infractions; and failure to comply with research regulations.

<u>Topics</u>	<u>Assignment</u>
Introduction Financial Instruments Financial Markets	
Math and Stat Overview Compounding Returns	
Portfolio Theory I	Problem Set 1
Portfolio Theory II	
Portfolio Theory III	Problem Set 2
The CAPM	
Market Efficiency	Problem Set 3
Equity Valuation	
Arbitrage	
Fixed Income Securities I	Problem Set 4
Fixed Income Securities II	
Options I	Problem Set 5
Options II Futures	
Swaps Investment Management	Problem Set 6