

AMERICAN UNIVERSITY – CENTRAL ASIA

Department of Economics

Finance

Spring, 2014

Instructor: Akylai Muktarbek, MA in Economics

Office hours: by appointment

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Course description:

The course aims to provide an introduction to the world of finance and the fundamental principles of valuation. We will learn and apply the concepts of time value of money and risk to understand the major determinants of value creation. We will use both theory and real world examples to demonstrate how to value any asset.

Prerequisites: Students must have successfully completed Intermediate Microeconomics (ECO217) and Intermediate Macroeconomics (ECO215).

Required materials:

Principles of Corporate Finance, by Brealey, Myers and Allen.

Corporate Finance, by Ivo Welch <http://book.ivo-welch.info/ed2/toc.html>

Course requirements:

- Attend all classes. Students are allowed to skip up to 2 lectures. Any additional absence will deduct 0.5% from your final grade.
- Come to classes on time. If a student is late more than 10 minutes, he is considered to be absent.
- Read all assigned chapters and come to classes prepared.
- There will be one midterm and one final written exam. Students are expected to take all examinations on time, and a makeup exam will be given only for those students with a strong excuse. Students who are not able to take exam on time must warn the instructor at least one day before the exam. Otherwise, the exam is considered failed.
- Students will have to complete several take-home assignments and in-class quizzes that will be evaluated and counted in final grading. The submission deadlines are indicated on each assignment. Late papers will not be accepted!

Course outline:

Topics
Introduction to Finance. What is Finance? Financial Institutions.
Time value of money. Rates of Returns and Interest Rates. Basic definitions.

Compounding Rates of Return. Horizon-dependent interest rates. Credit risk
Present value, future value, net present value. The Internal rate of return. Perpetuity and Annuity.
Financial Statement Analysis. Pro Forma Financial Statements
Capital structure and capital budgeting. Uncertainty and errors in capital budgeting
Project Selection. Project analysis
Corporate Governance.

Grading:

Midterm exam	30%
Final exam	40%
Assignments	15%
<u>In-class work</u>	<u>15%</u>
	100%

Grading scale:

A	>90	C+	61-65
A-	84-89	C	56-60
B+	78-83	C-	51-55
B	72-77	D	46-50
		F	<45
B-	66-71		