

MFIN602
Economics of Financial Decisions and Financial Markets
Fall 2018 Course Outline

Finance Area
DeGroote School of Business
McMaster University

COURSE OBJECTIVE

This course aims to prepare students for professional work in finance by providing them with a firm foundation in micro, macro, and international economics. Individual and corporate decision making in competitive environments are considered along with the behaviour of governments and other policy makers. In addition to theoretical considerations, the course explores related current events and functional examples of the course material in practice.

INSTRUCTOR AND CONTACT INFORMATION

Instructor Name: William Huggins
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Phone: 1 (647) 289 - 9240

TA Name: Anna Gorbunova
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COURSE ELEMENTS

Credit Value:	3	Leadership:	No	IT skills:	No	Global view:	Yes
A2L:	Yes	Ethics:	No	Numeracy:	Yes	Written skills:	No
Participation:	Yes	Innovation:	Yes	Group work:	No	Oral skills:	No
Evidence-based:	Yes	Experiential:	No	Final Exam:	Yes	Guest speakers:	No

COURSE DESCRIPTION

This course provides the foundation for understanding the microeconomic theory and the macroeconomic environment that dictate individual and corporate decision making. The course discusses the techniques involved in business decision making at the firm level. Specific microeconomic topics include production and cost, profit maximization and competitive markets, and the general equilibrium framework. Macroeconomic topics include the causes and consequences of business cycles, the economics of regulation, fiscal and monetary policies, and their interaction with financial markets. Topics related to international economics round out the course including trade, foreign exchange, and the determinants of economic growth.

LEARNING OUTCOMES

Upon successful completion of this course, students will be able to complete the following key tasks:

- Calculate and interpret individual supply and demand curves
- Use indifference curves, opportunity sets, and budget constraints to determine optimal production and consumption choices
- Identify market structure a firm operates in and determine the optimal price and output for each
- Distinguish between and explain shifts in and along aggregate demand and supply curves
- Identify phases of the business cycle based on economic indicators
- Explain the interaction of monetary and fiscal policies with the economy
- Explain the motivations for trade blocks, common markets, and economic unions
- Describe international parity conditions and forecast the future direction of exchange rates
- Understand the impact of demographics, immigration, natural resource endowments, and labour productivity on economic growth
- Explain the purpose, costs, and benefits of regulating commerce and financial markets

REQUIRED COURSE MATERIALS AND READINGS

Required: *Economics for Investment Decision Makers*, Christopher Piros and Jerald Pinto

EVALUATION

Test #1 - Micro	(Oct 11) – T13 123	2:30-5:30pm	35%
Test #2 - Macro	(Nov 8) – T13 123	2:30-5:30pm	30%
Final Exam – International	(TBA: Dec 11-22)	TBA	35%
Total			100%

Tests and the final exam cover each unit of the course independently and are non-cumulative. A standard McMaster calculator (non-programmable) is allowed for tests and the final exam.

Exam Policy: <http://www.mcmaster.ca/policy/Students-AcademicStudies/GradExamsPolicy.pdf>

Conversion

At the end of the course your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme.

LETTER GRADE	PERCENT
A+	90 - 100
A	85 - 89
A-	80 - 84
B+	75 - 79
B	70 - 74
B-	60 - 69
F	00 - 59

Communication and Feedback

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student.

ACADEMIC DISHONESTY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the Academic Integrity Policy, located at: www.mcmaster.ca/academicintegrity

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one’s own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

Students may request relief from a regularly scheduled midterm, test, assignment or other course components. Please refer to the policy and procedure on the DeGroot website at the link below;

<http://ug.degroot.mcmaster.ca/forms-and-resources/missed-course-work-policy/>

STUDENT ACCESSIBILITY SERVICES

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements with a Program Coordinator. Academic accommodations must be arranged for

each term of study. Student Accessibility Services can be contacted by phone 905-525-9140 ext. 28652 or e-mail sas@mcmaster.ca.

For further information, consult McMaster University's Policy for Academic Accommodation of Students with Disabilities:

<http://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicAccommodation-StudentsWithDisabilities.pdf>

ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the RISO policy. Students requiring a RISO accommodation should submit their request, including the dates/times needing to be accommodated and the courses which will be impacted, to their Faculty Office normally within 10 days of the beginning of term or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

POTENTIAL MODIFICATION TO THE COURSE

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

ACKNOWLEDGEMENT OF COURSE POLICIES

Your enrolment in MFIN602 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.** Lack of awareness of the course policies **cannot be invoked** at any point during this course

for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

COURSE SCHEDULE

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WEEK	DATE	READING LIST
1	Sept 13-14	Chapter 1 – Introduction to Demand and Supply Analysis
2	Sept 20-21	Chapter 2 – Consumer Demand
3	Sept 27-28	Chapter 3 – The Firm and the General Equilibrium Framework
4	Oct 4-5	Chapter 4 – Market Structures
5	Oct 11	TEST #1
6	Oct 18-19	Chapter 5 – Aggregate Output, Prices, and Economic Growth
7	Oct 25-26	Chapter 6 – Understanding Business Cycles
8	Nov 1-2	Chapter 7 – Monetary and Fiscal Policy
9	Nov 8	TEST #2
10	Nov 15-16	Chapter 8 (and 9.5) – International Trade and Capital Flows
11	Nov 22-23	Chapter 10 – Currency Exchange Rates

12	Nov 29-30	Chapter 11 – Economic Growth and the Investment Decision
13	Dec 6-7	Chapter 12 – Economics of Regulation