

Financial Economics
Econ 421-001
Spring 2018
Mondays 4:30 pm-7:10 pm

Economics 421-001 meets Mondays 4:30 pm-7:10 pm in Sandbridge, Room 107

Instructor: Robert Hazel

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Office hours: Officially, Mondays before class in the Econ Department, but I am also on campus on Wednesdays, so email and we can arrange a time to meet.

Course description: Financial economics is economics applied to tradeable financial assets, such as stocks and bonds. The main topics we will cover are the valuation of stocks, bonds and other financial assets; portfolio theory; the capital asset pricing model; the efficient market hypothesis; capital structure theories; options and other derivatives; and behavioral finance. We will use simple math and current examples to understand and apply the theories.

Course objectives and learning outcomes: Gain familiarity with financial economics concepts and understand how they apply in the real world.

Text: The texts that cover much of this material are long, and the current editions are expensive. My advice is to pay attention in class and do the readings assigned each week. If you need extra help on a regular basis or are considering additional study in finance beyond the course, you might buy an older edition of one of the standard texts. These include *Financial Management & Practice* by Ehrhardt & Brigham; *Investments* by Bodie & Kane; *Fundamentals of Corporate Finance* by Ross, Westerfield & Jordon; *Principles of Corporate Finance* by Brealey, Myers & Allen; *Fundamentals of Corporate Finance* by Berk, DeMarzo & Harford; and *Corporate Finance, an Introduction* by Welch (free download at <http://book.ivo-welch.info/home/>).

Weekly readings: Will be available on Blackboard or provided as handouts.

Grade weights: Quizzes and homework 35%, class presentation 10%, midterm 25%, final 30%. Most weeks, there will be either a homework assignment or a short quiz – the lowest two grades will be dropped. Also, each student will be required to make a short presentation on a topic discussed in class or analyzing the valuation of two securities. The presentation is limited to 7 minutes and, if PowerPoint is used, to no more than 5 slides.

December 2017 – Preliminary Syllabus

Week 1 – Jan 22

Investment criteria for riskless assets – NPV, IRR, Payback

Week 2 – Jan 29

Introduction to stock and bond valuation

Week 3 – Feb 5

Portfolio theory

Week 4 – Feb 12

Capital asset pricing model

Week 5 – Feb 19

Efficient market hypothesis

Week 6 – Feb 26

Capital structure theory

Week 7 – March 5

Midterm

Spring break – March 12

Week 8 – March 19

Dividends, taxes, and stock buybacks

Week 9 – March 26

Options and other derivatives

Week 10 – April 2

Mergers and acquisitions

Week 11 – April 9

Corporate governance and agency problems

Week 12 – April 16

Behavioral finance

Week 13 – April 23

Financial economics – theory and reality

Week 14 – April 30

Review

University policies and information:

Late work: The deadlines for written work are strict and no extensions will be given. A late submission of homework will be considered for partial credit – in general, the score will be reduced by 20% for each day late.

Academic integrity: Faculty in Economics have zero tolerance for academic dishonesty and will strictly enforce Mason's honor code.

Disabilities: If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center (DRC) at 703.993.2474. All academic accommodations must be arranged through that office.

Email: Mason uses only Mason email accounts to communicate with enrolled students. Students must activate their Mason email account, use it to communicate with their department and other administrative units, and check it regularly for important university information including messages related to this class.

Syllabus and course changes: The syllabus is a general plan for the course, and is subject to change at the sole discretion of the instructor.