

Duke University Department of Economics

Economics 151: Basic Finance and Investments

Spring Semester 2010

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Office Hours: Tuesdays 5-6.30pm

Synopsis:

This course is an introduction to finance. The topics covered will include a discussion of the organization and functioning of capital markets and a range of topics in the area of asset pricing and modern portfolio theory. The course will assume knowledge of basic statistics, probability theory and calculus.

Textbooks:

This course will closely follow **Bodie, Kane and Marcus (BKM) “Investments” (8th Edition)**. A less technical introductory text you may wish to refer to is Bodie, Kane and Marcus “Essentials of Investments” (8th Edition).

I will present the material in lectures using slides. These slides may not be distributed in any form without my permission.

Requirements & Assessment:

Homework: 6 problem sets (best 5 out of 6 carry 30% weight of final mark)

Due dates to be announced.

Exams: Midterm (30% of final mark) held in class on Thursday 4th of March 2010.
Final exam (40% of final mark) held according to the University schedule on May 3rd 2010, 9am to noon.
If you miss the midterm for any reason, there will be no make-ups. The weight on the midterm is moved to the final exam.

Late Paper Policy:

All problem sets will be considered due at the beginning of class on the day they are to be handed in. I will not accept late papers. Extensions will be granted only in cases of illness or certifiable family emergency. Be sure to bring your documentation with you.

TOPICS

Part 1: Overview of Financial Markets:

Traded Instruments

Market Structure

Calculating Returns

Introduction to present values

Statistics Review

Homework: Problem set 1

Part 2: Portfolio Theory:

Investor preferences and risk attitudes

Optimal portfolio choice

Capital Asset Pricing Model

Efficient Markets Hypothesis

Homework: Problem set 2

Problem set 3

Problem set 4

Part 3: Valuation:

Bond valuation and fixed-income analysis

Equity valuation and financial statement analysis

Derivative instruments

Homework: Problem set 5

Problem set 6