

ECONOMICS 2I03 Financial Economics

Winter 2020

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Office Hours: Mondays/Wednesdays/Thursdays from 3 pm to 4 pm

Lecture: C01 – Monday/Wednesday/Thursday 13:30 pm to 14:20 pm MDCL 1309

TEACHING ASSISTANT(S):

The name, office hours, and email address of the teaching assistant(s) will be posted on Avenue to Learn

COURSE DESCRIPTION:

This course focuses on the financial sector. Topics include the role of capital markets in facilitating investment and growth, bond markets, & stock markets. It analyses behavior of interest rates and discusses Banking and the Management of Financial Institutions.

PREREQUISITE(S):

ECON 1B03 and ECON 1BB3 (or ARTSSCI 2E03)

Not open to students with credit or registration in COMMERCE 2FA3

REQUIRED TEXTBOOK:

The Economics of Money, Banking and Financial Markets 7th Canadian Edition, by Fredric S. Mishkin, 2020

Additional Text:

Corporate Finance, 3rd Canadian Edition, by Jonathan Berk, Peter Demarzo & David Stangeland, 2015, Pearson

LEARNING OUTCOMES:

At the end of the course, students should be able to

- Understand the primary functions of the Financial System

- Understand the structure of the Financial Markets
 - Understand time value of money
 - Understand how to value bonds & stocks

- Explain the Financial Market Instruments
- Understand time value of money and Valuation of Financial assets
- Explain the Functions of Financial Intermediaries
- Explain the types of Financial Intermediaries
- Explain Regulation of Financial Markets
- Explain the role of financial regulatory authorities
- Explain the role of central banking

COURSE WEBSITE

Avenue to Learn (avenue.mcmaster.ca) is McMaster’s learning management system and is where all the course material will be posted. Course material is posted under the ‘Content Tab’ on Avenue and includes:

- Course Outline
- PowerPoint Notes
- Selected textbook questions and answers
- Office hours of the instructor and teaching assistant
- Grades
- Announcements

EVALUATION

Component	Weight	Due Date	Location
1. Quizzes	7%	Weekly by Monday 11:00pm	Avenue to Learn
2. iclickers (Optional)	8% (best 80%)	Every lecture	In lecture
3a. Test #1	20%	Thursday, February 13 th	TBA

3b. Test #2	20%	Thursday, March 19 th	TBA
4. Final Exam	45% (with iclicker) 53% (without iclicker)	April 2019	TBA

Quizzes

Quizzes will be administered through Avenue to Learn. All Quizzes will consist on Multiple-Choice questions. See below the detail information on the coverage, availability and due dates.

iClickers

Starting January 13th, we will make use of iclickers (or “clickers”) – an electronic response system that allows you to register an answer to questions asked in class. Your best 80% clicker sessions will count for 8% of the course grade. Each clicker session is graded out of 5 points. Three of the five are awarded for answering at least 75% of the questions posed in class, even if all of these are answered incorrectly. This is the “participation” portion of the clicker grade. One mark is awarded for each question answered correctly, to a maximum of two. This is the “performance” portion of the clicker grade. **Students with a higher grade on the final exam will have the grade weight from the iclickers shifted to the final exam.**

According to McMaster University **Academic Integrity Policy**

(<http://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicIntegrity.pdf>)

It shall be an offence knowingly to:

q) impersonate another student either in person or electronically for the purpose of academic assessment.

Clicker Registration

Students must register their i>clickers each academic term. If you have successfully registered an i>clicker in the past, you **must** register it for the current term. Registrations do not carry over from one term to another.

Do NOT enter your student ID number when registering!

Instead enter your Mac ID which is the name before @ in your McMaster e-mail address.

See step 5 below.

To complete the student registration form, students must:

1. Go to <https://www.iclicker.com/register-a-remote>

2. Which software will your instructor use in class?

Select: iClicker Classic (formerly iClicker 7)

3. Which Learning Management System does your institution use?

Select: Brightspace/D2L

Then choose "register directly on our website"

4. Enter your first name and last name in the appropriate fields.

5. Enter your Mac ID - which is the name before the @ symbol in your McMaster e-mail address - as student ID.

6. Enter your i>clicker remote ID. The remote ID is the 8-character alphanumeric code printed below the barcode on the back of your remote.

7. Enter the letters or numbers in the security image on the screen. This verification image is a slightly distorted series of characters used to prevent spam bots from submitting the form. Students can request another image if they find the first hard to see, or play an audio reading of it instead.

8. Click the Enter button. An on-screen message confirms that registration was successful.

iclicker participation through Reef

You can use either iclicker remote or participate through your smart device. Please follow the link below to register for Reef polling. Please use your "mac ID" and NOT your "student ID" to register. You will find the course in Reef as "Econ 2HH3 C02"

<https://macmillan.force.com/iclicker/s/article/How-to-Create-an-iClicker-Reef-Student-Account>

3a & 3b. Test #1 & Test #2

Both tests, 60 minutes long, will consist of 45 multiple choice questions only. The material for each test is outlined below. (Note: both tests will be held during lecture time)

4. Final Exam

The final exam will be 2 hours in length and will be written during the final exam period. The exam will consist of 75 multiple choice questions only.

MISSING QUIZZES AND/OR TESTS

- There will be no makeup quizzes or makeup tests

- If you miss a test or quiz you will get a grade of zero unless you complete and submit a McMaster Student Absence Form (MSAF) which can be found at <https://www.mcmaster.ca/msaf/>
- With approved MSAF, weight of the missed quiz or test will be shifted towards final exam.
- **NOTE: MSAF is not accepted for online quizzes and class participation through iclickers**

USE OF CALCULATORS

Only the Casio FX-991 MS or MS plus series calculator may be used for tests and the exam (available in the bookstore).

PHOTO ID

You will be required to show your university photo ID at all tests and the exam.

SCAN SHEETS

For all tests and the final examination *multiple choice questions* to be answered on scan sheets.

You must use an HB pencil to fill in these sheets and you are responsible for providing your own.

IMPORTANT DATES

- Test # 1 Thursday, February 13th
- Test # 2 Thursday, March 19th

Note: Both term tests will be held during the class time

- Final Exam: According to Registrar office
- Course Withdrawal Friday, March 13th

UNIVERSITY POLICIES

Academic Integrity Statement

You are expected to exhibit honesty and use ethical behavior 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 behavior 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](#).

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 credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations.

Academic Accommodation of Students with Disabilities

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements. Academic accommodations must be arranged before classes or academic work begins, and 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](#).

Academic Accommodation for Religious, Indigenous and Spiritual Observances

Students who require academic accommodation due to an Observance must submit a RISO form to their Faculty office, electronically or in person, normally within ten working days from the beginning of each term in which they are anticipating a need for Accommodation. For further information, consult McMaster University’s [Policy on Academic Accommodation for Religious, Indigenous and Spiritual Observances](#).

Faculty of Social Sciences E-mail Communication Policy

Effective September 1, 2010, it is the policy of the Faculty of Social Sciences that all e-mail communication sent from students to instructors (including TAs), and from students to staff, must originate from the student’s own McMaster University e-mail account. This policy protects confidentiality and confirms the identity of the student. It is the student’s responsibility to ensure that communication is sent to the university from a McMaster account. If an instructor becomes aware that a communication has come from an alternate address, the instructor may not reply at his or her discretion.

Course Modification

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 his/her McMaster email and course websites weekly during the term and to note any changes.

DETAILED COURSE SCHEDULE

Week	Dates	Topics/Readings	Quizzes on Avenue
1	Jan. 06 to Jan. 10	An Overview of the Financial system Chapter 2 (RT)*	
2	Jan. 13 to Jan. 17	What is Money Chapter 3 (RT)* The Time Value of Money Chapter 4 (AT)**	
3	Jan. 20 to Jan. 24	Basic Valuation Valuing Bonds Chapter 6 (AT)	Quiz #1 Covers chapters 2 &3 (RT) Open Jan. 24 th 8:00 am Closes Jan. 27 th 11:pm
4	Jan. 27 to Jan. 31	Understanding Interest rates The behaviour of interest rate Chapter 5 (RT)	Quiz #2 Covers chapter 4& 6 (AT) Open Jan. 31 st 8:00 am Closes Feb. 3 rd 11:pm
5	Feb. 03 Feb. 07	The Risk and Term structure of interest rate Chapter 6(RT)	Quiz #3 Covers chapter 5,6 (RT) Open Feb. 7 th 8:00 am Closes Feb. 10 th 11:pm
6	Feb. 10 to Feb. 14	TEST # 1 Covers chapters 2,3,5(RT) & 4, 6 (AT)	
7	Feb. 17 to Feb. 21	No Classes --- Midterm Recess	

8	Feb. 24 to Feb. 28	Valuing Stocks Chapter 7 (AT)	
9	Mar. 02 to March 06	An Economic Analysis of Financial Structure Chapter 8 (RT)	Quiz #4 Covers chapter 7 & 8(RT) Open Mar. 6 th 8:00 am Closes Mar. 9 th 11:pm
10	Mar. 9 to Mar. 13	Economic Analysis of Financial Regulation Chapter 9 (RT) Financial Crises Chapter 11 (RT)	
11	Mar. 16 to Mar. 20	TEST # 2 Covers chapters 7(AT) & 5,6 & 8 (RT)	Quiz #5 Covers chapter 9 & 11 (RT) Open Mar. 20 th 8:00 am Closes March 23 rd 11:pm
12	Mar. 23 to Mar. 27	Central Banking Chapter 14 (RT)	
13	Mar. 30 to April 06	The conduct of Monetary Policy Chapters 15, 16 (RT)	Quiz #6 Covers chapter 14,15 & 16 (RT) Open Mar. 30 th 8:00 am Closes April. 6 th 11:pm

Note: The instructor reserves the right to modify elements of the course and will notify students accordingly (in class and post any changes to Avenue to Learn).