

Hong Kong University of Science and Technology
School of Business and Management

FINA 132: Introduction to Financial Markets
Second Semester, 2003-2004

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Lectures: Tuesday and Thursday, 12noon – 1:20pm
Course website: webct.ust.hk

Pre-requisite

None. This course is for students who are not enrolled in the School of Business and Management

Course description

Introduction to Financial Markets is an important course for individuals who conduct business with financial institutions (e.g. bank deposit accounts, mortgage loans, and other loans) and who purchase financial assets (e.g. stocks, bonds, bank certificates, and insurance policies). Teaching methods include lectures, written homework assignments involving numerical problems, and in-class discussion of lecture topics and current events. Financial institutions and markets in Hong Kong and China are emphasized.

Course objectives

Upon completion of this course, a student should be able to:

1. Describe the role and function of major financial markets such as the stock, bond, and currency markets.
2. Describe the role and function of major financial institutions such as commercial banks, investment banks, mutual funds, and insurance companies.
3. Describe the role and function of the major players in financial markets (investors, businesses, financial institutions, and government).
4. Explain how economic conditions influence and are influenced by financial markets.
5. Explain and apply basic time value of money principles (compounding, discounting, annuities, and amortization)
6. Explain and apply basic valuation models for stocks and bonds.
7. Describe the impact that investor psychology has on financial markets.

Main text

Mayo, Herbert B, 2004, *Financial Institutions, Investments, and Management: An Introduction*, Thomson/South-Western, eighth edition. ISBN 0-324-17817-4.

Assessment

In-class quizzes (2)	30%
Homework assignments (2)	40%
Final examination	<u>30%</u>
Total	100%

Homework assignments

- #1 Time value of money; Valuation of stocks
- #2 Valuation of bonds; Financial statement analysis

Course policies and general information:

1. Students are expected to come to class **on time**.
2. PowerPoint slides and Excel spreadsheets are used in most lecture presentations so that students may see as well as hear the material being presented. Presentation files may be downloaded from the class WebCT site before each class and printed in hard-copy form for use in class. When printing in PowerPoint, choose “print slides” from the print menu and then select the “six-slides-per-page” and “grayscale” options.
3. There will be two in-class quizzes and a final examination during the university’s final examination period. (See course outline for quiz dates.) The two quizzes will each count 15% and the final examination will count 30% towards the overall course grade. Students will be assessed individually on quizzes and on the final examination. Electronic hand calculators may be used in quizzes and examinations, but laptop computers, mobile phones and other electronic devices may not be used.

No makeup quizzes will be given. If you miss one quiz for whatever reason, the grade received on the other quiz will be applied to the missing quiz. If you miss both quizzes, then a grade of zero will be applied to any quiz that is missed **without a legitimate excuse** while the grade received on the final examination will be applied to any quiz missed **with a legitimate excuse**. Legitimate excuses include illness (must be documented) and deaths in the family.

The format for quizzes and the final examination will be numerical problems and short-answer essay. Multiple choice and true false questions will not be used.

Some interesting web sites (related to this course)

- www.hkex.com.hk (Hong Kong Exchange—cash and derivative securities trading)
- www.tradingcharts.com (historical price data presented graphically)
- finance.yahoo.com (current market information, historical price data)
- finance.yahoo.com.hk (same as finance.yahoo.com, except it’s in Cantonese)
- www.financeasia.com (site contains current news and other information about the financial services industry)