

**Econ 372-Business Finance 2**  
**Department of Economics, University of Waterloo**  
**Spring 2018**

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<b>Instructor</b>	Arash S. Dahaj, PhD
<b>Contact</b>	Office: CPH 4336 Email: <a href="mailto:arash.soleimanidahaj@uwaterloo.ca">arash.soleimanidahaj@uwaterloo.ca</a>
<b>Lectures</b>	Wednesdays 6:30 – 9:20pm, CPH 1346 (computer lab)
<b>Office hours</b>	Wednesdays 5.30 - 6.20pm (Or send an email for appointments)

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**Overview of the course:**

The purpose of this course is to provide students with advanced topics in corporate finance and their applications. The key concepts and topics to be covered include: security valuation, risk and return, risk diversification, capital asset pricing model (CAPM), investment performance measurement, and financial derivatives. Students will learn how to apply these concepts to real world problems using various examples and case studies.

**Required text:**

**Principles of Finance with Excel** Authors: Simon Benninga, Tal Mofkadi Oxford University Press; 3rd edition. ISBN-13: 978-0190296384 (PFE)

*Suggested reading:* John C. Hull; Fundamentals of Futures and Options Markets (9th Edition) ISBN-13: 978-0134083247 (FFOM)

**Grading:**

Assignments	10%
Midterm Exam	35%
Final Exam	50%
In-Class Activities	10% (5% mandatory + 5% bonus)

**Event Schedule (Tentative):**

Event	Date	Note
assignment 1	May 14	due on Jun 7
midterm exam	June 13	Location CPH 1346
assignment 2	July 4	due on July 25
final exam	TBA	During final exam period

- The grading structure of this course is: Two assignments, two exams, and in class activities. The guidelines and due dates will be announced during the lectures.
- Yes, the grades add up to 105%. This means you can earn up to 5% extra bonus mark if you successfully do all of in-class activities.
- The final exam is comprehensive and covers all of the course material.

**Communication:**

- All communications of this course will be done through UW Learn (D2L). Your marks for assignments, quizzes, and exams will be posted on UW Learn (D2L).
- If you have any issues during the term (e.g., lecture speed, exam questions, or personal issues) feel free to contact me.

**Missed examinations due to illness**

- If you miss the first exam due to a legitimate reason and upon my consent, its weight goes to the 2<sup>nd</sup> exam. My consent is based on tangible evidence.

• Medical notes must use the UW Verification of Illness form, which is the only official and accepted document for illness related issues:

<https://uwaterloo.ca/campus-wellness/sites/ca.campus-wellness/files/uploads/files/VIF-online.pdf>

• Deferred Final Exam Policy at Economics Department can be found here:

<https://uwaterloo.ca/economics/undergraduate/resources-and-policies/deferred-final-exam-policy>



## Tentative Course Schedule, Spring 2018

Month	Week No.	Topics	Chapter	Note
<b>MAY</b>	1	Advanced Bond Valuation	PFE Ch 15	
	2	Risk Diversification & Efficient Frontier Advanced for More than 2 stocks	PFE Ch 10	
	3	Measuring Investment Performance	PFE Ch 12	
	4	Intro to Futures, Forwards & Options	FFOM Ch1&2	
	5	Hedging Strategies Using Futures	FFOM Ch 3	
<b>JUN</b>	6	Determination of Forward and Future Prices	FFOM Ch 5	Assignment 1 Due Jun 7 <sup>th</sup>
	7			Mid-Term June 13
	8	Mechanics of Option Markets	PFE Ch 17	
	9	Trading Strategies using Options	PFE Ch 17	
<b>JUL</b>	10	Option Pricing & Arbitrage	PFE Ch 18	
	11	The Black-Scholes Option Pricing Model	PFE Ch 19	
	12	The Binomial Option Pricing Model	PFE Ch 20	
	13	The Option Greeks	FFOM Ch 17	Assignment 2 Due July 25 <sup>th</sup>

**Other notes:**

**Academic Integrity:** In order to maintain a culture of academic integrity, members of the University of Waterloo community are expected to promote honesty, trust, fairness, respect and responsibility. [Check [www.uwaterloo.ca/academicintegrity/](http://www.uwaterloo.ca/academicintegrity/) for more information.]

**Grievance:** A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. Read Policy 70, Student Petitions and Grievances, Section 4, [www.adm.uwaterloo.ca/infosec/Policies/policy70.htm](http://www.adm.uwaterloo.ca/infosec/Policies/policy70.htm). When in doubt please be certain to contact the department's administrative assistant who will provide further assistance.

**Discipline:** A student is expected to know what constitutes academic integrity [check [www.uwaterloo.ca/academicintegrity/](http://www.uwaterloo.ca/academicintegrity/)] to avoid committing an academic offence, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about "rules" for group work/collaboration should seek guidance from the course instructor, academic advisor, or the undergraduate Associate Dean. For information on categories of offences and types of penalties, students should refer to Policy 71, Student Discipline, [www.adm.uwaterloo.ca/infosec/Policies/policy71.htm](http://www.adm.uwaterloo.ca/infosec/Policies/policy71.htm). For typical penalties check Guidelines for the Assessment of Penalties, [www.adm.uwaterloo.ca/infosec/guidelines/penaltyguidelines.htm](http://www.adm.uwaterloo.ca/infosec/guidelines/penaltyguidelines.htm).

**Appeals:** A decision made or penalty imposed under Policy 70 (Student Petitions and Grievances) (other than a petition) or Policy 71 (Student Discipline) may be appealed if there is a ground. A student who believes he/she has a ground for an appeal should refer to Policy 72 (Student Appeals) [www.adm.uwaterloo.ca/infosec/Policies/policy72.htm](http://www.adm.uwaterloo.ca/infosec/Policies/policy72.htm).

**Note for Students with Disabilities:** The Accessibility Services, located in Needles Hall, Room 1401, collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the Accessibility Services at the beginning of each academic term.