

**Financial Economics
ECON 315
Chancellors 123
Tuesdays and Thursdays 9:30-10:50
Spring 2024**

Instructor: Peter Atwater
Chancellors 462
pwatwater@wm.edu
peter@peteratwater.com

Course Objective: By the end of the semester, you should have a firm grasp of the fundamental principles, concepts and formulas associated with financial decisions. You should also understand their routine application in practice and how they are relevant to today's financial markets.

You should know the why, the how and the why now.

Course Description: We will focus on the roles of time, expectations and uncertainty in consumer, corporate and public sector borrowing, investing, hedging, and insuring decisions. Topics will include a general overview of the financial system and capital markets, the time value of money, discounted cash flow analysis, valuation models, risk management, asset pricing and basic portfolio management.

This class is intended to be a launch point for greater exploration into the topics covered.

Class Format: A variety of teaching methods will be used to meet course objectives, including lectures, problem sets, case studies and discussions of current financial topics. Classes will typically begin with a review of any homework assignments or a conceptual question, followed by a lecture and demonstration of new material. Problem sets will be available and used to reinforce important concepts and techniques. Students will then practice the use of newly introduced concepts by solving problems or participating in class exercises designed to demonstrate practical applications.

Texts: While there are no required texts for this course, *Financial Economics*, by Zvi Bodie, Robert Merton and David Cleeton, is highly recommended, particularly for students for whom this class is their first exposure to basic financial principles. A copy of *Financial Economics* has been placed on reserve at Swem. Notes and problem sets for the material to be covered in this class, along with other pertinent handouts, will be made available on Blackboard as the class progresses.

Other Requirements: You will need a non-cellphone calculator for all quizzes and exams. A Financial/Business calculator, such as HP12C or TI BAII Plus, is highly recommended. The use of cellphone calculators is prohibited.

Reading: Throughout the course, I will assign news articles drawn from major current financial events. It is your responsibility to read all assigned material and to come prepared to discuss how the concepts covered in class may apply.

Instructor Office Hours/Availability: I will be on campus Tuesdays, Wednesdays and Thursdays with office hours on Tuesday afternoon from 2-4 and Wednesday from 9-12 and 2-4. I will be happy to meet with you then or before or after class. Just let me know when you would like to meet.

I am also available via email at pwatwater@wm.edu. Emails sent after 9 pm are likely to be answered early the following morning.

Useful Dates:

February 2 Add/drop period ends (Friday)

Special Accommodations:

Health Safety: The physical and mental well-being of the class is my top priority. While I intend to teach this class in person, the delivery format of the class may be subject to change due to changes in state and local regulations, change in college policies and student compliance with campus health safety rules and regulations.

Accommodation for Students with Disabilities

William & Mary accommodates students with disabilities in accordance with federal laws and university policy. Any student who feels they may need an accommodation based on the impact of a learning, psychiatric, physical, or chronic health diagnosis should contact Student Accessibility Services staff at 757-221-2512 or at sas@wm.edu to determine if accommodations are warranted and to obtain an official letter of accommodation. For more information, please see www.wm.edu/sas

If you believe you need an accommodation for a disability, please let me know as soon as possible. Some aspects of this course may be modified to facilitate your participation and progress. As soon as you make me aware of your needs, we can work with the Dean of Students Office (221-2510) to help us determine appropriate accommodations. I will treat any information you provide as private and confidential. Such notice must be given by February 15, 2022.

Religious Holiday Statement

I will make every reasonable effort to allow members of the College community to observe their religious holidays without academic penalty. However, it is your obligation to provide me with reasonable notice of the dates of religious holidays on which you will be absent. Such notice must be given by February 15, 2022.

Student-Athletes

You must provide me with a letter from your coach indicating that you are in fact a member of the team, and the dates and times you will be out of town.

Course Requirements and Evaluation

Class Etiquette: Please, no electronics.

Attendance: Students are expected to attend all classes and to be on time for all class meetings. However, if you notify me by email, you will be allowed three personal absences from class without the need for documentation or excuse.

Out of an abundance of caution and out of consideration for your fellow classmates and me, I would ask that you not attend class in person when you don't feel well or if you have tested positive for COVID (whether or not you are symptomatic.) There are no limits on medical absences.

In the case of any extended absence (more than three consecutive classes) I ask that you contact me.

Homework: Homework assignments will not be collected or graded. Homework problems and questions, along with problems and questions done in class will be representative of, and prepare you for, what you can expect on quizzes and exams so it is suggested that you complete assigned problems before coming to class.

Quizzes: There will be 4 quizzes during the semester which will be based on class lectures and associated homework assignments. Quizzes are intended to serve as assessments of your understanding of the materials prior to an exam. Students who miss a class are responsible for that day's lecture material and for the material used on any quiz given at subsequent class meetings. **There will be no make-up quizzes.**

Exams: Exams will consist of questions and problems that are similar to those covered in the lecture and on homework assignments. Make-up exams will only be given to students for whom special accommodation has been arranged prior to the test date. (See above.)

The final exam will be comprehensive and will be held on Thursday, May 11th from 9-12.

Academic Honesty: William & Mary has the nation's oldest honor code, dating back to at least 1779. The Honor Code establishes a level playing field where all can be fairly evaluated based on their own ability and preparation. The Code also provides the bond of our word based on our honor.

Unless otherwise stated explicitly by me, all work you submit must be your own, and I expect you to work independently on assignments. On written assignments, you must provide appropriate citation for all thoughts, words, or ideas that are not your own (this includes the ideas of peers). Unless authorized by me, you cannot consult outside resources. The student-led honor system is responsible for resolving any suspected violations of the Honor Code, and I will report all suspected instances of academic dishonesty to the honor system. I also encourage you to contact me with any questions or concerns.

The Student Handbook (www.wm.edu/studenthandbook) includes your responsibilities as a student. Your full participation and observance of the Honor Code is expected. To read the Honor Code, see www.wm.edu/honor.

All assignments are to be completed in adherence with the Honor Code.

Grade Calculation:

Quizzes 12% (each representing 3% of your final grade)
 Exams (4) 88% (weighted 18%, 20%, 20% and 30%, respectively)

Midterm/Final Grading Scale:

A = 94 - 100 B+ = 87 – 89.9 C+ = 77 – 79.9 D+ = 67 – 69.9
 A- = 90 – 93.9 B = 84 – 86.9 C = 74 – 76.9 D = 60 – 66.9
 B- = 80 – 83.9 C- = 70 – 73.9 F = Below 60

Midterm grades will be posted prior to March 26th.

Note: The instructor reserves the right to modify the course requirements, assignments, grading procedures, and other related policies as circumstances dictate.

Tentative Course Schedule

The class schedule below represents my best estimate of the dates on which specific topics will be covered, as well as the dates of the semester’s four quizzes and tests. While unlikely, there is a risk that specific quizzes and tests may slip a class should conditions require.

Jan 25	Class 1	Course Introduction/ The Financial System (Set 1)
Jan 30	Class 2	The Financial Environment (Set1)
Feb 1	Class 3	The Financial Environment /Financial Statement Analysis (Sets 1&2)
Feb 6	Class 4	Financial Statement Analysis (Set 2)
Feb 8	Class 5	Financial Statement Analysis (Set 2)
Feb 13	Class 6	Quiz #1 Time Value of Money (Set 3)
Feb 15	Class 7	Time Value of Money (Set 3)
Feb 20	Class 8	Exam #1
Feb 22	Class 9	Time Value of Money/Saving & Consumption (Set 3&4)
Feb 27	Class 10	Saving & Consumption/Investment Decisions (Set 4&5)

Feb 29	Class 11	Investment Decisions (Set 5)
March 5	Class 12	Investment Decisions /General Asset Valuation (Set 5&6)
March 7	Class 13	Quiz 2 / General Asset Valuation/Fixed Income Valuation (Set 6&7)
Mar 19	Class14	Fixed Income Valuation (Set 6&7)
Mar 21	Class 15	Exam #2
Mar 26	Class 16	Stock Valuation (Set 8)
Mar 28	Class 17	Stock Valuation (Set 8)
Apr 2	Class 18	Risk & Risk Control/Risk Control Measures (Set 9&10)
Apr 4	Class 19	Risk Control Measures (Set 10)
Apr 9	Class 20	Quiz 3 /Risk Control Measures
Apr 11	Class 21	Futures Contracts (Set 11)
Apr 16	Class 22	Exam #3
Apr 18	Class 23	Futures Contracts/Options (Set 11&12)
Apr 23	Class 24	Options (Set 12)
Apr 25	Class 25	CAPM/Three Factor Model (Set 13)
April 30	Class 26	Quiz 4 / Portfolio Selection & Diversification (Set 14)
May 2	Class 27	Portfolio Selection & Diversification
May 8		Final Exam 9:00 to 12:00