



Faculty of finance and business administration

Department of finance and business economics

Course: (0507230) Financial economics.

DR. Ali Mustafa Al-Qudah

Objectives of this course.

The main goal of the course is to realize the nature of the financial economics, and provide student with enough Idea about introduction to finance, financial statement analysis and forecasting, time value of money, Bond Valuation and Interest Rates, equity valuation, Risk, Return and Portfolio Theory, The Capital Asset Pricing Model (CAPM) and Market Efficiency.

Textbook:

The textbook for this course is introduction to corporate finance 2nd edition by Laurence Booth • W. Sean Cleary.

The course is lecture based. Lectures will consist of covering the theory, examples, and class discussion. Homework assignments will focus on applying the material from lectures.

Course outline:

CH1: Introduction to finance.

- **Finance Defined**

- **Real versus Financial Assets**
- **The Financial System**
- **Financial Instruments and Markets**
- **The Global Financial Community**

CH4. Financial Statement Analysis and Forecasting.

- Consistent financial analysis
- Leverage ratios
- Efficiency ratios
- Productivity ratios
- Liquidity ratios
- Valuation ratios

CH5: Time Value of Money.

- **Compounding**

- **Discounting**
- **Annuities and Loans**
- **Perpetuities**
- **Effective Rates of Return**

CH6: Bond Valuation and Interest Rates.

- Basic Structure of Bonds
- Bond Valuation
- Bond Yields
- Interest Rate Determinants
- Other Types of Bonds/Debt Instruments

CH7: Equity Valuation

- The Nature of Equity Securities
- Valuation of Equities
- Preferred Share Valuation
- Dividend Discount Model
- Using Multiples to Value Shares

CH: Risk, Return and Portfolio Theory

- Measurement of Returns
- Measuring Risk
- Expected Return and Risk for Portfolios
- The Efficient Frontier
- Diversification

CH9: The Capital Asset Pricing Model (CAPM)

- The New Efficient Frontier
- The Capital Asset Pricing Model
- The CAPM and Market Risk
- Alternative Asset Pricing Models

CH10: Market Efficiency.

- The Importance of Market Efficiency
- Market Efficiency Defined
- The Efficient Market Hypothesis
- Empirical Evidence Regarding Market Efficiency
- Implications of EMH

Assessment and Grading:

First Exam	20%
Second Exam	20%
Attendance and class participant	10%
<u>Final Examination</u>	<u>50%</u>
Total	100

Good Luck

