Course Syllabus
FI 4420: the Financial System
Spring Semester 2013
Robinson College of Business
Georgia State University

Course Number: 15753
Section Number: FI 4420 – 010
Lecture Schedule: Thursdays 7:15-9:45 pm
Location: General Classroom Building 127
Prerequisite: FI 4000

Instructor:
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Fax: 404-413-7312
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Webpage: http://www2.gsu.edu/~fncbyy
Office Hours: Thursdays 4-6pm, or by appointment
Office Location: Room 1243, RCB Building, 35 Broad Street

Description of the Course
Finance 4420 is an advanced undergraduate course designed to analyze financial products, markets and organizations. Topics addressed include: flows of funds; financial intermediation; financial organizations/services; central banking and monetary policy; financial markets focusing largely on fixed income and equity markets; management of financial risk; international financial markets and organizations, and current and emerging trends in financial markets. This course will build on concepts developed in FI 4000 and other finance/economics and business administration courses to improve students’ understanding of financial systems.

Recommended Textbook
Jeff Madura, Financial Markets and Institutions, 10th Ed., South-Western College Publishing, Cincinnati, Ohio

Expected Student Achievements
Students should achieve the following minimum competencies in the course:
1. Working knowledge of domestic and international financial markets - especially financial institutions, forces impacting financial markets, level and structure of interest rates, financial innovations and regulatory trends.
2. Understanding of current domestic and international issues in the financial system, such as the 07-09 financial crisis, and achievement of a state of knowledge that will support critical appraisal of arguments about such issues.
3. Understanding of the role of portfolio investment in financial organizations and conceptual and analytical tools available to manage risk.
4. Understanding of the global nature of financial markets, the importance of country participants, and the role of international organizations operating in the financial markets.

Student Obligations:
1. Have completed prerequisite for the course FI 4000, and be familiar with University regulations as printed in the current undergraduate catalog, for example, terms of withdrawal from the course. The last date to withdraw and possibly receive a “W” is the semester midpoint on March 5.
2. Attend class and participate in class. Attendance and participation constitutes 5% of the course grade. Attendance will be taken at each class and you must be present for the entire class to be considered present; there will be no make-ups for missed quizzes/tests/project/examinations; missing three (3) regular classes constitutes grounds for automatic withdrawal from the class.
3. The Department of Finance adheres to the University’s policy on Academic honesty as contained in the Academic Regulations section of the University catalog.

Evaluation

Grade in the course will be determined by attendance and participation, scores on one group project, two quizzes, a mid-term examination, and a final examination. No extra credits will be granted.

Specific grade determination will be as follows:

| Attendance and Participation | 5% |
| Group Project                | 20%|
| Quizzes                      | 20%|
| Mid-Term Examination         | 25%|
| Final Examination            | 30%|

Grading standard will be as stated in the University catalog: “A” excellent; “B” good; “C” fair; “D” poor; and “F” failure. The academic letter grades for calculating the cumulative grade point average will be assigned as follows: A+, A, A-, B+, B, B-, C+, C, C-, D, and F.

Some important points
1. An attendance sheet will be circulated at the beginning of the class. It is your responsibility to sign the sheet otherwise you will be considered absent for the class.
2. Please avoid entering late in the class. Students arriving late will only be allowed to sign the attendance sheet only at the discretion of the instructor. If you leave before the end of the class, you will be marked absent for the class (even if you signed at the beginning at the class).

Desire2Learn Requirement
I have established a Desire2Learn site that provides the syllabus, slides, readings, and grades. Please gain access to the Desire2Learn site immediately. You are expected to visit Desire2Learn regularly during the semester to download course materials and check grades. The required
reading materials (lecture notes and other required readings) should be read before each class.

Class Communication
For the purpose of announcement and communication, I will use the GSU email accounts. Therefore, please check your GSU email accounts regularly.

Group Project
A group of no more than four people will be assigned a group project involving collecting “real” financial data from a popular financial database, Datastream, to apply the concept of term structure of interest rates and Fisher effect in a global context. Details of the group project are provided on the Desire2Learn course website. I will be providing a demonstration in the class about how to use Datastream. The due date for group project is Apr. 18, 2012 at the beginning of the class. Project grade will be determined as follows:
- Downloading the data correctly – 25%
- Computation – 25%
- Analysis and Interpretation – 25%
- Report Writing – 25%

Quizzes
Quiz I: Feb. 7, 2012, 7:15-7:45pm (30 minutes)
Quiz II: Apr. 11, 2012, 7:15-7:45pm (30 minutes)
All the quizzes will be at the beginning of the class and last 30 minutes. In case you arrive late, you will not be provided additional time.

Exams
Midterm Exam: Feb. 28, 2012, 7:15-9:15pm (2 hours)
Final Exam: May 2, 2012, 7-9pm (2 hours)

The exams will be held in the same class room as the regular classes unless otherwise notified. Practice questions and solutions will be provided before the quizzes and exams for your preparation. The formats of the quizzes and exams are similar, with about half consisting of multiple choice questions, and the other half consisting of open-ended questions that require either calculation or short passage answers. The final examination will be comprehensive covering the entire course material, but with an emphasis (70%-80%) on the second part of the course.

Note: This course syllabus provides only a general and tentative plan for the course. Deviations may be made when necessary.
<table>
<thead>
<tr>
<th>Dates</th>
<th>Topics</th>
<th>Readings/Exam Time</th>
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<tbody>
<tr>
<td>Jan. 17</td>
<td><strong>Introduction to Financial System</strong></td>
<td>Chapter 1, Madura</td>
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<td>Topics: Getting started; financial assets and their characteristics; functions of the financial system; criteria for effective financial system; types of financial markets and financial institutions.</td>
<td>Desire2Learn Handouts</td>
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<td>Jan. 24, Jan. 31</td>
<td><strong>Interest Rates and Term Structures</strong></td>
<td>Chapters 2-3, Madura</td>
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<td>Topics: Importance of interest rates; properties and pricing of financial assets; level and structure of interest rates; forces determining rates; Fisher effect; term structure - the yield curve and its significance; spot rates and forward rates.</td>
<td>Desire2Learn Handouts</td>
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<tr>
<td>Feb. 7</td>
<td><strong>Quiz 1</strong></td>
<td>7:15pm-7:45pm (30 minutes)</td>
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<td>Feb. 7</td>
<td><strong>Federal Reserve System and Monetary Policy</strong></td>
<td>Chapters 4-5, Madura</td>
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<td>Topics: Structure and role of the Federal Reserve system; instruments of monetary policy; open market operations; Fed funds rate and discount rate; Taylor rule; policy implications for central banks; roles of the Fed in financial crises.</td>
<td>Desire2Learn Handouts</td>
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<td>Feb. 14</td>
<td><strong>Money Markets and Auctions</strong></td>
<td>Chapters 6, Madura</td>
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<td>Topics: Money market instruments; treasury auctions</td>
<td>Desire2Learn Handouts</td>
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<td>Feb. 21</td>
<td><strong>Bond Markets</strong></td>
<td>Chapter 7, Madura</td>
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<td>Topics: Bond market instruments; credit default swaps;</td>
<td>Desire2Learn Handouts</td>
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<td>Feb. 28</td>
<td><strong>Midterm Examination</strong></td>
<td>7:15pm-9:15pm (2 hours)</td>
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<td>Mar. 7</td>
<td><strong>Mortgage Markets</strong></td>
<td>Chapter 8, Madura</td>
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<td>Topics: mortgage markets instruments; securitization and risk in mortgages.</td>
<td>Desire2Learn Handouts</td>
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<td>Mar. 14, Mar. 28</td>
<td><strong>Bond Valuation</strong></td>
<td>Chapter 9, Madura</td>
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<td>Topics: bond yields and pricing; and bootstrapping the zero-coupon yield curve; bond valuation and risk; duration and convexity.</td>
<td>Desire2Learn Handouts</td>
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<td>Apr. 11</td>
<td><strong>Quiz 2</strong></td>
<td>7:15pm-7:45pm (30 minutes)</td>
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<td>Apr. 18</td>
<td><strong>Group Project Due</strong></td>
<td>At the beginning of class</td>
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<td>Apr. 4, Apr. 11, Apr. 18</td>
<td><strong>Equity Markets and Market Microstructure</strong></td>
<td>Chapters 10-12, Madura</td>
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<td>Topics: Organization and structure of equity markets: stock offerings; primary markets and underwriting; secondary markets; market microstructure; short selling; and program trading.</td>
<td>Desire2Learn Handouts</td>
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<td>Apr. 25</td>
<td><strong>Mutual Funds and Hedge Funds</strong></td>
<td>Chapter 23, Madura</td>
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<td>Topics: Types of mutual funds; fee structure; taxation and distribution; and exchange-traded funds; classification and fee structure; distinction with mutual funds; funds of hedge funds.</td>
<td>Desire2Learn Handouts</td>
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<tr>
<td>May 2</td>
<td><strong>Final Exam</strong></td>
<td>7pm-9pm (2 hours)</td>
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**Additional Notes**

1. You are recommended to maintain knowledge of current financial market events by reading The Wall Street Journal, and/or Financial Times; You may also read business publications such as the financial section of The New York Times, Barron’s, the Economist, Business Week, Fortune, Forbes, etc.

2. Your constructive assessment of this course plays an indispensable role in shaping education at Georgia State. Upon completing the course, please take the time to fill out the online course evaluation.

3. Students who wish to request accommodation for a disability may do so by registering with the Office of Disability Services in Suite 230 or the Student Center. Students may only be accommodated upon issuance by the Office of Disability Services of a signed Accommodation Plan and are responsible for providing a copy of that plan to instructors of all classes in which an accommodation is sought.