**Full Time MBA Program   
Spring 2022**

**FIN502 – Principles of Finance**

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**Office Hours:** by appointment

**Course Objective:**

### The objective of this course is to provide a rigorous and an integrated framework for understanding the mechanism of financial investment. The course will emphasize intuition and insight, as well as rigorous analysis in order to foster students’ interest and skills in applying financial theory to practical applications. The main topics of the course are arbitrage, portfolio selection, equilibrium asset pricing (CAPM), fixed income securities and derivative pricing. The materials to be covered include the following areas: *financial markets, financial analysis of common stocks and fixed income securities, modern investment theory and its applications* and *option evaluation*. The course is best suited for the following students:

* Those who aspire to pursue an investment banking career. (I love working 16 hours a day, every day.)
* Those who want to be a powerful security analyst. (It’s fun to drive .com price up and down by 50% a day.)
* Those who wish to become a professional money manager

### To take this course, students must be comfortable with statistics, linear algebra, and calculus. The models we will cover have immediate applications and implications for real-world financial decisions. Every effort will be made to relate the course material to current financial news. I will spend considerable time on the current economic crisis in Europe and its effects on the financial markets.

**Course Material:**

In this course, teaching materials are drawn from several books, newspapers, and periodicals. Required readings include chapters from ***lecture notes***. They will be assigned for each class. It is important to read the assigned material(s) before coming to the class. It will be difficult to follow the course without reading the background material ahead of time (hopefully the opposite is also true). I prepared extensive lecture notes for you guys. This class is a **tough** class which draws from several books. Hence, these lecture notes will be very valuable for you since they summarize the relevant topics. I will **not** hold the textbook listed below as required materials. Therefore, these books are supplementary material. However, you may find these in the library, and it would be good if you review them.

1. **Textbook:** Zvi Bodie, Alex Kane, and Alan J. Marcus, **Investments**, McGraw-Hill Irwin.
2. **Lecture notes:** Will be posted to the SUCourse web site before the lectures. These notes will be the "**main**" course materials for this class.
3. **Study questions:** I will assign study questions after lectures, and solutions will be posted shortly after. You are encouraged to work on them before exams. You do not need to turn study questions in.
4. **Wall Street Journal, Financial Times, New York Times, Economist**
5. **Fun Books:** A Random Walk Down Wall Street (Burton Markiel)

When Genius Failed: The Rise and Fall of Long Term Capital Management (Roger Lowenstein)

Liar’s Poker (Michael Lewis)

Finally, you need a calculator for this class. It is a distinct advantage to have a financial calculator, but not an absolute requirement However, if you plan to take other finance classes, you will get good use out of a financial calculator.

**Course Web and Communication:**

Course announcements will be posted to the FIN502 website within SUCourse portal. It is your responsibility to check the announcements.

Due to the email virus situation, it is important that your email does not get filtered out: when you email the professor or the TA, please identify yourself by including “***Principles of Finance***”, and ***name*** in the subject line.

**Grading**:

Course requirements include class participation, quizzes, one midterm and a final exam. The final grade is calculated based on the weighted average of those mentioned above with the following weights:

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| --- | --- |
| Class Participation | : 20% |
| Midterm Exam | : 30% |
| Final Exam | : 45% |
| Quiz | : 5% |
|  |  |

**Requirements:**

Class Participation: Your class participation grade is decided by attendance, classroom discussion, and performance in random/pop quizzes. Attendance is ***mandatory*** as the course material builds on each other and gets harder as we progress through the semester. If you have to miss a class, you are responsible for knowing what goes on in class, which may include material not covered in the readings, modifications to the syllabus or lecture notes, and announcements concerning exams. My experience tells me that missing classes on a regular basis will put you in a disadvantageous position because some material is quite technical and difficult. I strongly discourage entering/leaving the classroom during the class since it greatly distracts others. Please also kindly turn off cell phone and beeper while the class is in session. To encourage and monitor attendance, I will periodically send out sign-up sheet and pop quizzes.

**Important: If you miss more than three lectures you will receive a D or F for the course at the professor’s discretion.**

Exams: All exams will be closed-book. You are allowed to bring one 8 ½”x11” page ***handwritten*** “formula-sheet”. Questions may involve numerical problems and conceptual questions that are related to lectures or reading assignments. While midterms mainly cover the material immediately studied in previous classes, the final exam will be cumulative and comprehensive. **No makeup exams** will be given, except for medical emergency as proved by a written note from a doctor with contact information for verification purpose.

**Academic Honesty:**

Learning is enhanced through cooperation and as such you are encouraged to work in groups, ask for and give help freely in all appropriate settings. At the same time, as a matter of personal integrity, you should only represent your own work as yours. Any work that is submitted to be evaluated in this class should be an original piece of writing, presenting your ideas in your own words. Everything you borrow from books, articles, or web sites (including those in the syllabus) should be properly cited. Although you are encouraged to discuss your ideas with others (including your friends in the class), it is important that you do not share your writing (slides, MS Excel files, reports, etc.) with anyone. Using ideas, text and other intellectual property developed by someone else while claiming it is your original work is *plagiarism*. Copying from others or providing answers or information, written or oral, to others is *cheating*. Unauthorized help from another person or having someone else write one’s paper or assignment is *collusion*. Cheating, plagiarism and collusion are serious offenses that could result in an F grade and disciplinary action. Please pay utmost attention to avoid such accusations.

**Course Schedule:**

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| --- | --- | --- |
| **Tentative Course Schedule (Subject to Change)**  **L: Lecture Notes, The number following the letter denotes the chapter.** | | |
| **Class** | **Topic** | **Reading** |
| 1 | Introduction and review of Time Value of Money | L1 |
| 1 | Time value of Money | L1 |
| 2 | Time value of Money | L1 |
| 2 | Bond Valuation I | L2 |
| 3 | Bond Valuation II | L2 |
| 3 | Bond Valuation III | L2 |
| 4 | Equity Valuation I | L3 |
| 4 | Equity Valuation II | L3; Practice Midterm |
|  | EXTRA Review Session; If Time Permits |  |
| 5 | Equity Valuation III | L3 |
| **5** | **Midterm Exam** |  |
| 6 | Risk and Return I | L4 |
| 6 | Risk and Return II | L4 |
| 7 | Risk and Return III | L4 |
| 7 | Portfolio Selection I | L5 |
| 8 | Portfolio Selection II | L5 |
| 8 | Portfolio Selection III | L5 |
| 9 | Portfolio Selection IV | L5 |
| 9 | Asset Pricing Models (CAPM) I | L5 |
| 10 | Asset Pricing Models (CAPM) II | L5 |
| 10 | Asset Pricing Models (CAPM) III | L5 |
| 11 | Cost of Capital; Capital Budgeting | L6; L7 |
| 11 | Cost of Capital; Capital Budgeting | L6; L7 |
| 12 | Option Strategies I | Handout |
| 12 | Option Strategies II | Handout |
| 13 | Option Strategies III | Handout |
| 13 | Option Strategies IV | Handout |
| **14** | **Final Exam** |  |
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