

CALIFORNIA INSTITUTE OF TECHNOLOGY

**INTRODUCTION TO FINANCE  
BUSINESS, ECONOMICS AND MANAGEMENT 103  
WINTER 2019**

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Mondays/Wednesdays, 1pm-2.25pm  
Location: TBD  
Office Hours: TBD

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*Course description*

This course provides a basic overview of finance, both conceptually and analytically. We plan to cover two main areas of finance, asset pricing and corporate finance. Asset pricing is a field that studies how investors value securities and make investment decisions. Corporate finance, on the other hand, studies how firms make financing decisions. In addition, we will discuss selected topics in behavioral finance, an active subfield within finance that tries to improve our understanding of financial markets, investor behavior, and corporate finance using frameworks that are psychologically more realistic than their predecessors.

The course is aimed at undergraduate students, master students, and Ph.D. students who would like to learn the basics about finance. This course is, in places, quantitative. We will make use of basic concepts in probability, statistics, and regression analysis.

*Course requirements*

Your grade for the course comes from three parts. First, there will be about 7 homework assignments, out of which the highest 5 scores are counted; together they make up 40% of the final grade. Homework assignments are by and large analytical and sometimes involve using a spreadsheet package such as Excel. Second, there is a three-hour take-home midterm exam that counts for 30% of the final grade. Finally, there is a three-hour take-home final exam that counts for the remaining 30% of the grade. Both the midterm and the final exams are closed-book and subject to the Caltech Honor Code. Details about the exams will be provided later in the course.

Each homework set will be posted on Moodle over the weekend either on Saturday or Sunday. It will be due at 5pm on Monday after the following week. For example, the first homework will be assigned either on 1/12 (Saturday) or 1/13 (Sunday). It will be due at 5pm on Monday (1/21). In terms of late homework policy, if you submit your homework within 24 hours after it is due, you will get 90% of the full credit for the homework. If you further delay, you will get 0%. Exceptions can only be made with proof from doctor in the case of medical emergency.

*Class materials*

Lecture notes will be posted over time on Moodle. The access code, if there is any, is the instructor's last name. *For copyright protection, please do not redistribute any class materials without instructor permission.*

There is no required textbook for this class: the course is built around the lecture notes. If you would like to have a reference text, you might consider the following:

- Zvi Bodie, Alex Kane, and Alan Marcus, *Investments*, McGraw-Hill, 10<sup>th</sup> Edition, 2013.
- Stephen Ross, Randolph Westerfield, and Jeffrey Jaffe, *Corporate Finance*, McGraw-Hill, 10<sup>th</sup> Edition, 2013.

*Teaching assistant*

TBD