Fall 2013

Course Title: Financial Economic Theory
Course Number: FINN6203
Class Time: 6:30 pm-9:15 pm Monday
Class: Friday 130
Credit Hours: 3.00

Instructor: Dr. Weidong Tian
Office: Friday 202A
Office hours: Monday 2:00 pm – 4:00 pm
Contact: wtian1@uncc.edu

Graduate Assistant: Ekaterina Panttser
Contact: epanttse@uncc.edu

Lecture Notes

Lecture Note in this course will be provided before the class.

Course Description

This course offers the fundamental principles of risk pricing and risk allocation in a unified framework. Discrete-time model is employed to underscore the relationship between the techniques used in finance and the economic analysis of risk.

For master students, the objective is to understand the economics of asset pricing and how derivatives and options are used in practice and limitation.

For doctoral students, the objective is to begin developing a research agenda in the field.

Specific Objectives:

Five parts are proposed in this course in which the last part depends on time allowance. The specific objective of each part is explained as follows:

Single Period Securities Markets

Multiperiod Securities Markets

Derivatives Pricing and Hedging

Interest Rate Derivatives

Consumption and Investment

Course Assessment

The course requirement consist of four problem sets (the questions are chosen from the textbook and the reading book listed below), course participation, one midterm exam and a final exam.

Course Requirements

Problem sets, midterm exam and the final exam will count 30%, 25%, and 45% respectively.

Grading

A = 100-90
B = 89-80
C = 79-70
D = 69-60
F = 59-0

Attendance

The UNC Charlotte Catalog lists the following attendance policy.
"Each instructor determines the attendance regulations for his or her classes. Students are expected to attend punctually all scheduled sessions in the courses for which they are registered and are responsible for completing the work from all class sessions." Absences from classes may be excused by the instructor for such reasons as personal illness, religious holidays, or participating as an authorized University representative in an out-of-town event. Whenever possible, students are expected to seek permission of the instructor prior to absences."

Honor Code

All students are required to read and abide by the Code of Student Academic Integrity. Violations of the Code of Student Academic Integrity, including plagiarism, will result in disciplinary action as provided in the Code.

Academic Diversity

Students have the responsibility to know and observe the requirements of the UNC Charlotte Code of Student Academic Integrity (Catalog p. 336 and 337). This code forbids cheating, fabrication or falsification of information, multiple submissions of academic work, plagiarism, abuse of academic materials, and complicity in academic dishonesty. Any special requirements or permission regarding academic integrity in this course will be stated by the instructor, and are binding on the students. Academic evaluations in this course include a judgment that the student's work is free from academic dishonesty of any type; and grades in this course therefore should be and will be adversely affected by academic dishonesty. Students who violate the code can be expelled from UNC Charlotte. The normal penalty for a first offense is zero credit on the work involving dishonesty and further substantial reduction of the course grade. In almost all cases the course grade is reduced to F. Copies of the code can be obtained from the Dean of Students Office. Standards of academic integrity will be enforced in this course. Students are expected to report cases of academic dishonesty to the course instructor.

The Belk College of Business strives to create an inclusive academic climate in which the dignity of all individual is respected and maintained. Therefore, we celebrate diversity that includes, but is not limited to ability/disability,

age, culture, ethnicity, gender, language, race, religion, sexual orientation, and socio-economic status.

Accommodations for Disabilities

If you have a diagnosed disability, you need to check in with the Office of Disability Services in 230 Fretwell

Reading Textbooks

Stanley R. Pliska. *Introduction to Mathematical Finance: Discrete Time Models*, Wiley, 1997.

Steven E. Shreve, *Stochastic Calculus for Finance I: The Binomial Asset Pricing Model*, Springer Finance, 2003.

Stephen A. Ross, *Neoclassical Finance*, Princeton University Press, 2005.

John C. Cox and Mark Rubinstein, *Options Markets*, Prentice-Hall, Inc, 1985.

John Hull. *Options, Futures and Other Derivatives*, (7th edition), 2009.

Important Date

August 19, First day of class
September 2, Labor Day (no class)
October 7-8, Student Recess
November 27-30, Thanksgiving Break (no class)
December 4, Last day of class

Midterm time

To be determined

Final exam

December 9.