

**Finance 312.01W**  
**Money, Banking and Financial Markets**  
**Spring 2014**  
**Syllabus**

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**Class Meetings:** Class Live Pro, Tuesdays 6:30 pm-9:20 pm (Central Time)

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**Text:** Financial Markets and Institutions, 7<sup>th</sup> edition

Frederic Mishkin and Stanley Eakins

Pearson Addison Wesley, 2012

ISBN-10: 013213683x

ISBN-13: 9780132136839

**Recommended:** Study Guide for Financial Markets & Institutions, 7<sup>th</sup> (William Gerken)

ISBN-10: 0.32136929

ISBN-13: 9780132136921

Note 1: Often I am questioned regarding the advisability of using older editions of a text in a course. Since that is an economic question (estimating relative costs and benefits), I leave that judgment to you. I will note, however, that there is a 6<sup>th</sup> edition of this text, and while the chapter numbers differ, the material that we cover in this course is included in the older edition (as well as even the 5<sup>th</sup> edition). The primary difference between the two editions appears to be an updating of data presented in charts and tables. However, the authoritative word on a topic/question will be considered the latest version of the text (unless specifically addressed in class).

Note 2: We will NOT have formal assignments from the Study Guide, nor will we use it in class. **However, I strongly recommend that you obtain a copy and use it.** Inasmuch as it contains quite a few sample questions and exercises, it can serve as a useful check to let you know if you are getting from the chapters what you should. That should help to cut down on the "I thought I really knew it" type surprises if and when one does not do so well on an exam.

**Nature of the Course/Material**

The course is a cross blend of material covered in a traditional "money and banking" economics course and a standard "money and capital markets" finance course. It differs, however, in its general approach to the topics covered. The aim of the course is to provide an analytical framework that will enable one to understand the nature, operation and significance of financial markets and institutions. The approach of the course is largely applications and implications oriented. The purpose of this approach is to introduce the student to real-world issues and problems that participants in financial markets regularly encounter. Additionally, in that money and capital markets are truly "globalized" markets, international perspectives are fully integrated into the material. Further, because financial markets continue to innovate and evolve, the nature of, and forces driving, such innovations are spotlighted. Finally,

inasmuch as the stability of financial markets impacts significantly the health and stability of the overall economy, consideration of the role of the central bank in terms of the formulation and implementation of monetary policy is a vital component of the course.

**What to Expect from an Online Class (please note well)**

Online classes are different from face-to-face classes. Online education requires that the student be much more self-directed and able to work independently. In an online course, the student accepts greater individual responsibility for learning outcomes. The instructor's role is more that of facilitator and overseer—as opposed to pure lecturer/presenter. This means that the student who takes this class must be more disciplined than is normally the case with a face-to-face class. It is imperative that you do the readings, study, turn in assignments and take tests on schedule. Mark assignments and exam dates on your calendar as soon as they are announced. “Forgetting,” being “out of town” and/or “confused” about the time that an assignment is due or that a test must be taken is not an acceptable excuse for missing it. If you do not have sufficient time to devote to the class each week, and/or if you are not comfortable with this type of setting, you probably should rethink taking this class in the online format. Keep in mind that Finance 312 is an upper-level finance course, and the performance requirements will be commensurate with same.

**Webinars:** A Class Live Pro Webinar is scheduled for each Tuesday from 6:30 pm to 9:20 pm, Central Time. It is strongly recommended that you attend and participate in these sessions. However, in case you are unable to participate at the scheduled time, the Webinars are recorded and you can watch at any time after it is completed. However, it is strongly recommended that you work through the recorded session as soon after the regularly scheduled session as possible. Sooner is better than later! The purpose of the Webinars is to provide perspective relative to the material, to focus on and emphasize major topics and concepts, and to answer questions on the material. Failure to keep up with the webinars invariably shows up in overall class performance (and grades).

Chapters and other reading materials will be assigned (see below) and you are expected to read them when or before they are assigned for discussion/testing. You will have an opportunity to ask questions and interact during the Webinars and through e-mails, but this will necessitate your being current with your reading and study.

**Access to Webinars:** Access to the Webinar is through eCollege. Log in to your eCollege course, next click on “Live” and then “Class Live” from which you will click on “Join Session.” Recorded sessions may be found on the Class Live page at “Session Archives.”

**Office Hours:** I will hold electronic office hours via Class Live Pro on Wednesday evenings at 6:00 pm (lasting up to one hour) BY APPOINTMENT/REQUEST. Please note that unless I have received a request for such a meeting, I will not automatically be available online at that time. It is recommended that you consult your syllabus and the course pages in eCollege to see if your questions/concerns are addressed there. You may also e-mail me your questions, and I will respond as promptly as practical. Please allow me up to 24 hours (during the week—not counting weekends) to reply. If you have not received a response within that time frame, please re-send the e-mail and call my office at 903-886-5675 (leaving a voice mail if not answered).

**Course Content, Assignments and Grades:** The course will consist of four units, with an exam over each unit. The first unit will cover chapters 1 – 6 in the text. Unit II will cover chapters 9 – 10, Unit III chapters 11 - 16, and Unit IV will consist of material from chapters 7 – 8 plus 17 - 19. Additionally, there will be periodic assignments of outside/non-textbook materials. It is the responsibility of the student to keep up with all assignments

Bonus Assignments and Points -- From time to time, there will be opportunities to earn bonus points, which will be added to the unit exam scores. These opportunities will be announced orally in the webinars and/or through class emailings. Most bonus assignments will be required to be submitted to a designated drop box, but some may be handled through regular email. Any bonus project not received by the announced deadline will not be graded. If you did not learn of the bonus assignment because you missed the webinar and did not view the recorded session before the submission deadline, you just missed that bonus opportunity. No special makeup provision will be offered on bonus projects.

Each unit score (exam score plus bonus points) will constitute 25% of your course grade. See table below for reading assignments and exam dates. Exams (and thus the course) will be graded on a 10-15-15-10 basis, so that:

A = 90 - 100  
B = 75 – 89  
C = 60 – 74  
D = 50 – 59  
F = below 50

Note: “Need” is not a factor in determining course grades, so please do not call or email me telling me how much you need to make a certain grade. Grades are earned, not gifted.

### **Tentative Schedule of Assignments: Materials and Exams**

<u>Week</u>	<u>Assignment</u>
<b>Unit I</b>	
1) 1/13/14 – 1/18/14	Text: Chapters 1-2 Webinar #1 – (Tues., 1/14/2014)
2) 1/20/14 – 1/25/14	Text: Chapters 3 - 4 <b>Fedpoints</b> <a href="http://www.newyorkfed.org/aboutthefed/fedpoints.html">http://www.newyorkfed.org/aboutthefed/fedpoints.html</a>  a) Understanding U.S. Government Securities Quotes b) Zero Coupons and STRIPS Webinar #2 (Tues., 1/21/2014)
3) 1/27/14 – 2/01/14	Text: Chapters 5-6 Webinar #3 (Tues., 1/28/2014)

4) 2/03/14 – 2/08/14

Unit I catch-up and review  
Webinar #4 (Tues., 2/04/2014)

## **Unit II**

5) 2/10/14 – 2/15/14

Text: Chapters 9-10

### **Fedpoints**

Federal Reserve System (4 items)

Monetary Policy Tools (10 items)

Payment Systems (Fedwire + Float)

Functions of Money

Webinar #5 (Tues., 2/11/2014)

6) 2/17/14 – 2/22/14

The Fed + Monetary Policy continued

Webinar #6 (Tues., 2/18/2014)

7) 2/24/14 – 3/01/14

Unit II catch-up, review and exam

Webinar #7 (Tues., 2/25/2014)

### **Unit II Exam (2/27/2014--3/01/2014)**

## **Unit III**

8) 3/03/14 – 3/08/14

Text: Chapters 11-12

### **Fedpoints**

1) Book-Entry Procedure

2) Treasury Auctions

3) Estimating Yields on Treasury Securities

Webinar # 8 (Tues., 3/04/2014)

### **March 10-15 Spring Break—No webinar**

9) 3/17/14 – 3/22/14

Text: Chapters 13-14

Webinar #9 (Tues., 3/18/2014)

10) 3/24/14 – 3/29/14

Text: Chapters 15-16

Webinar #10 (Tues., 3/25/2014)

11) 3/31/14-4/05/14

Unit III Catch-up and Review--Exam

Webinar #11 (Tues., 4/01/2014)

### **Unit III Exam (4/03--05/2014)**

## **Unit IV**

12) 4/07/14 – 4/12/14

Text: Chapters 7-8

	Webinar #12 (Tues., 4/08/2014)
13) 4/14/14 – 4/19/14	Text: Chapters 17 - 18 Webinar #13 (Tues., 4/15/2014)
14) 4/21/14 – 4/26/14	Text: Chapter 19 Webinar #14 (Tues., 4/22/2014)
15) 4/28/14 – 5/03/14	Webinar #15 (Tues., 4/29/2014)
16)	<b>Unit IV Exam</b> (5/07-09/2014)

**Please note that each exam will be accessible for a period of 72 hours. There will be no special provision for taking the exam outside the scheduled time period. Please check the exam periods as listed above and make sure that you will have online access for at least one two hour period during each scheduled exam window. Absent a documented (medical or similar) emergency, failure to take the exam during the scheduled period will be considered unexcused and will result in your receiving a grade of zero on that exam.**

### **HINTS FOR MAKING A GOOD GRADE IN THIS COURSE**

1. Attend the Webinars—come prepared, ask questions if you do not understand the material and/or assignments, stay alert and take good notes. If not able to attend, check recorded session as quickly afterward as possible
2. Get the text Study Guide, and use it
3. Take advantage of any and all bonus opportunities
4. Read and study materials when assigned. Falling behind in an online class can be fatal (grade-wise, of course). Additionally, Webinar sessions and class assignments make more sense if you come to class prepared
5. When you don't understand material, ASK QUESTIONS—either in the Webinar, by email, phone, or even make an appointment to come by my office. As soon as you realize that you are having problems in the course, contact me then.

### **Broad Course Objectives and Expectations**

**Relative to financial markets in general**—Student should understand the function and nature of financial markets, the characteristics of money market versus capital markets, primary versus secondary markets, debt versus equity markets, characteristics of financial instruments traded in the various financial markets, recognize the major participants in the various financial markets, be able to calculate/estimate the yield on various financial instruments given the information required to accomplish same, understand the significance of determining appropriate discount rates

**Relative to interest rates** – Student should understand the nature and function of interest rates, the relationship between risk and interest rates, distinction between real and nominal rates, distinction between interest rates and returns, be familiar with the concept of term structure, and understand the market determination of interest rates and factors affecting their movement over time.

**Relative to monetary policy** – Student should understand the formulation, implementation and general impact of basic monetary policy measures; understand the nature and function of central banks in general, and be familiar with the powers, duties and functions of the Federal Reserve in particular, as well as its structure and governance.

**Relative to financial institutions** – Student should understand why financial institutions exist, the significant forces favoring the development and use of indirect finance versus direct finance, why financial crises occur and how and why they affect the broader economy, the significance of asymmetric information in financial markets, and the challenges involved in attempting to improve the functioning of financial institutions through regulation

**Relative to currency exchange rates and the international financial system** – Students should understand the nature, significance and determination of currency exchange rates and theoretical underpinning of same, factors that affect exchange rates in the short run and long run, be familiar with the history and impact of common currency unions, understand the appeal of and mechanisms employed in foreign exchange interventions by governments, and the relative advantages and disadvantages of fixed versus freely fluctuating exchange rates.