



**College of Liberal Arts and Education
Department of Economics**

Fall 2015

ECN 3050: Money and Financial Systems

Instructor: Yu Peng Lin

Office: Briggs 323

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Class: 2:00pm ~ 3:15pm, Tuesdays and Thursdays, Briggs 001

Office Hours: 11:00am ~ 2:00pm, Tuesdays and Thursdays, Briggs 323

(Note: Although these are regular office hours, the instructor may have meetings scheduled during the same time during the semester. It will be helpful if you can email first before you stop by).

Course Website: <http://knowledge.udmercy.edu>

Course Description:

This course provides an overview of the financial system, institutions, and instruments. Course topics include: the nature and economic role of money and credit, financial intermediation and its control by monetary authority, financial markets, institutions and instruments, interest rate theory, international financial system, and foreign exchange market.

This course provides an introduction to the financial system, which precedes courses in finance and economics. It serves as an introductory course for graduate students who are seeking an advanced study in the field of financial economics. Concepts such as financial intermediation, money, credit, interest rates, valuation are covered. Cash and derivative markets as well as domestic and international finance are grist for our mill. The roll of the monetary authority and its relationship to the financial system is introduced.

Course Objectives:

The objective of the course is to introduce students the nature and scope of the financial system, banking industry, and financial instruments with an introduction of financial derivatives. We will put a significant amount of time studying the time value of money. This course is essential for students seeking to study the links between economics and finance and those with a special interest in capital asset pricing, corporate finance, portfolio theory, derivative securities, and discount rates.

Students Learning Outcomes:

After successful completion of this course, students will be able to understand

- (1) The significance of the financial system and the conflict of interest in the financial industry.
- (2) Time value of money.
- (3) The behavior of interest rate.
- (4) The basic valuation models.
- (5) The banking industry
- (6) Corporate finance and derivative securities.

Required Textbook:

- (1) “The Economics of Money, Banking & Financial Markets, Business School Edition” 3rd edition, by Frederic S. Mishkin
- (2) “Time Value of Money: A Key in Finance”, 1st edition, by Yu Peng Lin

Course Policy:

Students are responsible for the materials covered in class. A review of basic linear algebra is highly recommended. Students are encouraged to read main finance newspapers and magazines such as the Wall Street Journal and the Economist.

<u>Week/Day</u>	<u>Topic</u>	<u>Book Chapters</u>	<u>Exams/Assignments</u>	<u>Day</u>
1/Aug. 31 ~ Sep.05	Money, Banking, and Financial Markets: Introduction	(1) Ch.1 ~ Ch.3	Assignment Tryout	Sep. 05
2/Sep. 07 ~ Sep. 12	Time Value of Money	(2) Ch. 1~ 5	On Sep.10: Class will meet at 2:30pm due to the “Celebrate Spirit”;	-

3/Sep. 14 ~ Sep. 19	Time Value of Money	(2) Ch.1 ~ 5	Assignment (a)	Sep. 19
4/Sep. 21 ~ Sep. 26	-	-	<u>Exam 1</u>	Sep. 24
5/Sep. 28~ Oct. 03	Interest Rates and Yield to Maturity	(1) Ch.4	-	-
6/Oc. 05 ~ Oct. 10	Interest Rates and Yield to Maturity	(1) Ch. 5	Assignment (b)	Oct. 10
7/Oct. 12 ~ Oct. 17	The term structure of interest rates and Stock Valuation	(1) Ch.6	* Fall Break – No Class on the 13th * <i>Term paper proposal due in Blackboard at 4:00pm</i>	Oct. 17
8/Oct. 19 ~ Oct. 24	Stock Valuation; Financial Structure and Banking	(1) Ch. 7, 8	-	-
9/Oct. 26 ~ Oct. 31	-	-	<u>Exam 2</u>	Oct. 29
10/Nov. 02 ~ Nov. 07	-	-	<u>Term Paper Proposal meeting</u>	-
11/Nov. 09 ~ Nov. 14	Financial Structure and Banking; Central Banking and Money Creation Process	(1) Ch.10, 16	Assignment (c)	Nov. 14

12/Nov. 16 ~ Nov. 21	Central Banking and Money Creation Process	(1) Ch.16, 17	-	-
13/Nov. 23 ~ Nov. 28	The Conduct of Monetary Policy	(1) Ch.18, 19	Thanksgiving Recess – No Class on Nov. 26	-
14/Nov. 30 ~ Dec. 05	Financial Derivatives	(1) Ch.14	Assignment (d)	Dec. 05
15/Dec. 07 ~ Dec. 12	-	-	<u>(1) Exam 3</u> <u>(2) Term paper due on Dec. 16 at 4:00pm</u>	Dec.10

***Note – The last day to withdraw from this class is November 23, 2015.**

Online Section Participation Guidelines

Please read the following submission guidelines of the online assignments carefully.

- Online Assignments: Students are required to answer the assigned questions thoroughly with required graphs and discussions. The discussions are required to have **at least 250 ~ 300 word counts per assignment**.
- The deadline for online assignments is at **4:00pm** on the due day. To ensure every student be treated fairly, late submission is barely accepted.
- All online assignments are required to be submitted in a **Word document**. **No** other formats are acceptable.
- Students are required to submit the assignments to **Knowledge/Blackboard**. Please **DO NOT** submit your work via email.
- Every submission will be graded within **7 working days** after the submission deadline. Once graded, the grade will be available in Knowledge/Blackboard and comments (if provided) will also be provided.

- The assignments are considered as individual work. Hence, students must **NOT** work on the assignments collaboratively. If violated, students will face University policy actions on Academic Dishonesty.

Course Grading Policy

The final course grade is calculated from the following components:

(1) **Exams**: there are three exams in the semester. Each exam contributes 15% to the final course grade. The exams are scheduled on a Thursday. Hence, on the Tuesday in the exam week, there will be a brief review followed by Q&A session for the exam. Please be prepared and bring your questions if there is any. Only a calculator is allowed in the test (if needed). No cell phones. **Note that the exams are closed books/notes. The exams are multiple choice questions.**

(2) **Term Paper**: Students will form a team of 3 students. Each team finds a research topic of their interest but the topic needs to be in the course-related fields.

- **Proposal**: Once the topic is chosen, students will submit the topic with a brief **3-page** proposal seeking the instructor's approval. Each team will then meet with the instructor in the week of Nov. 07 for a discussion on the proposal. The specific meeting time as well as location will be assigned during the semester.

- **Term paper**: Once the topic is approved, students will review the current research in the chosen topic and summarize its significance in the U.S. economy in a report. Organize your report properly, be accurate and provide detailed information and use examples if necessary. The term paper is due at 4:00pm on Dec. 16. Please submit your paper to Blackboard.

Please follow these guidelines while formatting the term paper:

- Please ensure the **UDM Policy on Plagiarism and Academic Integrity** is followed.
- The entire paper (title page, abstract, main text, figures, tables, references, etc.) must be in ONE document using Microsoft Word (.DOC).
- The maximum length of the paper is 20 pages including ALL tables and references.
- Use Times New Roman 12-point font, 1.5 line spaced, 1-inch (2.5 cm) margin all around, and 8.5" x 11" page setting.
- Number all pages in the paper.

(3) **Online Assignments:** The online assignments will be graded based on a 100 scale. Each assignment accounts for 10%.

(4) **Class Attendance:** Attendance will be taken on each class meeting. If you cannot make it to a class meeting, please provide a valid proof (such as doctor's excuse...)

Grading: The final course grade will be based on your performance on the assignments, exams, term paper, and class attendance using the following weights:

Assignments	10%/each
Exams	15%/each
Term Paper	10%
Attendance	5%

The final course grade is calculated as following:

$$\text{Final Course Grade} = [4 \text{ Online Assignments}] * 10\% + [3 \text{ Exams}] * 15\% + \text{Term paper} * 10\% + \text{Attendance} * 5\%$$

Grading: The University of Detroit Mercy grading scale is as follows:

A	100 – 93
A-	92 - 90
B+	89 – 87
B	86 – 83
B-	82 - 80
C+	79 – 77
C	76 – 73
C-	72 – 70
D+	69 – 67
D	66 – 63
D-	62 – 60
F	59 - 00

Assessment Standards for the online assignments

Requirements	Excellent	Average	Below Average	Did not participate
Summary	Students submitted an original posting	Students submitted an original posting	Students submitted an original posting	Students submitted an original posting word counts below

	with at least 300 word counts. <i>30 ~ 40 points</i>	with word counts of 250 ~ 300. <i>20 ~ 30 points</i>	with word counts of 200 ~ 250. <i>10 ~ 20 points</i>	200. <i>0 ~ 10 point</i>
Quality of summary	Students submitted original posting containing clear and very understandable information. <i>50 ~ 60 points</i>	Students submitted original posting containing average clear and understandable information. <i>40 ~ 50 points</i>	Students submitted original posting containing barely clear and understandable information. <i>30 ~ 40 points</i>	Students submitted original posting containing unclear and confusing information. <i>0 ~ 30 point</i>
Earned points/Category	points_____	points_____	points_____	points_____
Total points	Total_____			

Class Attendance and Participation:

A vital part of every student's education is regular attendance of class meetings. Any absences tend to lower the quality of a student's work, and frequent or persistent absences may result in a failing grade. Students are responsible for the materials covered in class. Class participation is highly encouraged as it makes class more interesting and enhances the learning experience. Students are strongly encouraged to ask questions and participate in class discussions and problem solving. Good attendance and participation will be rewarded when final grades are assigned.

Compliance with UDM Student-Related Policies

Students of the University of Detroit Mercy are expected to comply with all policies and practices established by the College and/or University. Listed below are a few specific UDM policies. The list, however, is not intended to be exhaustive. A complete listing of all UDM policies can be found in the UDM Student Handbook and students are expected to be familiar with all UDM Student-related policies.

Student Course Evaluations

Student course evaluations are an important source of information for curricular and teaching improvement in the College of Liberal Arts and Education. As such, all students enrolled in CLAE courses are strongly encouraged to complete an online course evaluation. Course evaluations are completed during the week preceding final exams each semester. Information is provided to students through e-mail explaining how to complete the evaluation online.

Statement Regarding Professional Conduct

Student communications to and with the professor/instructor shall at all times be conducted in a professional and courteous manner.

UDM Policy on Plagiarism and Academic Integrity

As members of an academic community engaged in the pursuit of truth and with a special concern for values, students are expected to conform to a high standard of honesty and integrity in their academic work. The fundamental assumption under which the University operates is that work by a student is a product of his/her own efforts.

Among the most serious academic offenses is plagiarism, submitting the style of another author or source without acknowledgment or formal documentation. Plagiarism occurs when specific phrases or entire passages, whether a sentence, paragraph or longer excerpt, are incorporated into one's own writing without quotation marks or documentation. One also plagiarizes by paraphrasing the work of another, that is, retaining another writer's ideas and structure without documentation.

Students are advised always to set off another writer's exact words by quotation marks, with appropriate references. Students avoid plagiarism by concentrating on their own words and ideas and by fully crediting others' words and ideas when they find their way into the writing. Whenever in doubt, cite the source.

Students who purchase essays from other students or agencies or who copy from one another or from prohibited sources, commit the most serious type of academic dishonesty. The consequences of plagiarism, or any act of academic dishonesty, may range from failure on an assignment or in a course to dismissal from the University.

Forms of academic dishonesty

- 1) Cheating: deception in which a student misrepresents that he/she has mastered information on an academic exercise that he/she has not mastered; giving or receiving aid unauthorized by the instructor on assignments or examinations.
- 2) Academic misconduct: tampering with grades or taking part in obtaining or distributing any part of a scheduled test.
- 3) Fabrication: use of invented information or falsified research.
- 4) Plagiarism: unacknowledged quotation and/or paraphrase of someone else's words, ideas, or data as one's own in work submitted for credit. Failure to identify information or essays from the Internet and submitting them as one's own work also constitutes plagiarism.
- 5) Please be aware that the University subscribes to the Turnitin plagiarism detection service. Your paper may be submitted to this service at the discretion of the instructor.

Disability Support Services and Accommodations

If you need course accommodations of a disability (including a physical, mental, or emotional disability), if you have emergency medical information to share, or if you need special arrangements in case the building must be evacuated, please contact Emilie Gallegos,

Director of University Academic Services/Disability Support Services at gallegem@udmercy.edu of (313) 578-0310 to schedule an appointment. University Academic Services is located on the 3rd Floor of the Library on the McNichols Campus. Students with special needs are urged to identify themselves to the faculty to discuss their concerns. Faculty, however, cannot provide disability accommodations without official notification from the Disability Support Services office.

Other Class Policies

- * Everyone in class is expected to follow all rules of common courtesy during classroom lectures and discussions. *You are expected to be in class on time and to remain until the end of the class.* You are expected to turn off your cell phones, beepers or any other gadgets that can make noise or create distraction in class. You may not engage in any activity disruptive to the class (e.g. talking, sleeping etc.) while the class is in session. Food is not allowed in class, but coffee/soft drinks/water are allowed. Anyone violating these policies may be subject to disciplinary actions.
- * This course is intensive and challenging and you are expected to master the materials presented in class. The structure of the class makes your individual study and preparation outside of class extremely important. Reading the assigned chapter(s) and having some familiarity with them before class will be very useful for understanding lectures.
- * The course covers a lot of material and most students find at least some parts of it difficult. Your participation is highly encouraged in the class as it makes class more interesting and enhances the learning experience. I encourage you to ask questions, participate in class discussions and problem solving.
- * The provisions and information set forth in this schedule are intended to be informational and not contractual in nature. I reserve the right to amend, alter, change, delete or modify the provisions of the schedule. All the changes will be announced in class and you are responsible for the announcements made in class.
- * Finally, *“hard work always leads to success”*