The Department of Finance curriculum provides a working understanding of the financial decision-making process and offers insight into how financial markets function. It provides part of the necessary education for students seeking financial positions in business, in financial institutions, or in government or nonprofit institutions.

Courses in finance are divided into two broad categories. One category focuses on microfinance issues—corporation finance and investments. The other category focuses on macrofinance issues—financial markets and the international financial system. All finance courses apply economic analysis, accounting, and quantitative methods to the financial problems encountered.

The Department of Finance faculty is the largest and one of the most distinguished finance faculty groups in the world. Members of our faculty are leaders in research and in textbook publication in their fields. We hold as our mission the great tradition started by the founders of New York University: to have a department that is recognized both nationally and internationally as a leader in scholarship and to transmit that scholarship in a professional way to students and those in industry with whom we work.

Program of Study

CAREER PREPARATION
Every type of private or public business organization needs people who have training in finance. This is obviously true for a large industrial corporation, a major bank, or an insurance company. But it turns out to be equally true for the owner of a small business with 25 employees, for a city manager with 250 employees, or for the business director of the Metropolitan Opera.

Students graduating from the Stern Undergraduate College with a major in finance accept positions with banks, investment banking houses, government agencies, consulting firms, insurance firms, and large and small corporations. First careers range from credit analysis to securities analysis to product profitability analysis to apprentice floor traders on exchanges. In addition to being well-grounded in finance, our students must be prepared to work with multinational managers, marketing professionals, accountants, and others who depend on finance professionals to supply the funding currently needed and the analysis necessary to make profitable future decisions.

Being a part of a world-class university in the heart of New York City means that Stern students have opportunities not available to students at other universities. As part of their career preparation, all finance students are encouraged to take advantage of the many lectures and informal talks by leading business executives arranged by student clubs and by the Dean's Office. In addition, many juniors and seniors will want to take advantage of the part-time jobs and internships offered by major financial institutions and others to Stern students.

FINANCE MAJOR REQUIREMENTS
Students who decide to major in finance must take four courses in finance in addition to the required core course, Foundations of Financial Markets (C15.0002). These four courses include an integrated sequence of two required courses to ensure all finance majors have a common set of professional tools, plus two elective courses:

- C15.0007 Financial Management
- C15.0008 Corporate Financial Topics
- Plus two electives from among the courses listed in the Advanced Courses section below.
A student may elect to take a fifth course in finance. But no more than five finance courses should be taken as part of a student’s program of study. It is important to remember that a Stern student is getting a B.S. degree in business administration, not a trade-school diploma in finance. The Stern School and prospective employers both believe it is beneficial for every Stern graduate to have broad exposure to the analytical styles of business management in all its dimensions.

In all our finance courses, the objectives are to provide (1) an in-depth analytical and professional understanding of selected issues, (2) an awareness that finance is a support activity that always involves cross-discipline communication and increasingly involves multinational considerations, and (3) an understanding that the Stern School has very high expectations for its finance students concerning their personal and professional standards for integrity and business, legal, and ethical behavior.

Students majoring in finance should consult with their adviser in the Office of Undergraduate Advising and Student Services by the end of their sophomore year to ensure that course distribution requirements are being met and to declare formally the finance major. The Department of Finance undergraduate program coordinator is always available to advise on finance course selection or other matters finance students may wish to discuss.

**Courses**

**CORE COURSE**

*Foundations of Financial Markets*

C15.0002 4 points. Fall, spring, and summer.

Prerequisites: C22.0103, V31.0002 or V31.0004, and sophomore standing.

Corequisite: C10.0001.

A rigorous course developing the basic concepts and tools of modern finance. Basic concepts of return and risk are explored in detail with a view to understanding how financial markets work and how different kinds of financial instruments are valued. These instruments, including equities, fixed income securities, options, and other derivative securities become vehicles for exploring various financial markets and the utilization of these markets by managers in different kinds of financial institutions to enhance return and manage risk. The course includes a segment on the use and application of computer-based quantitative technology for financial modeling purposes.

**INTEGRATED SEQUENCE**

(for juniors and seniors only)

*Financial Management*

C15.0007 3 points. Fall, spring, and summer.

Required course for finance majors.

Prerequisite: C15.0002.

Introduces the student to selected problems and issues in financial management. Topics include capital budgeting—strategy and techniques associated with the analysis and selection of capital projects, financial forecasting and financial planning, and corporate finance topics such as the cost of capital and issues associated with raising capital. Problem sets and case studies are integral parts of this course.

*Corporate Financial Topics*

C15.0008 3 points. Fall, spring, and summer.

Required course for finance majors.

Prerequisites: C15.0002 and C15.0007.

The focus of this course is on major financial policy decisions of the corporation. Topics include corporate strategy in various economic settings, capital structure theory and policy, dividend theory and policy, and advanced capital budgeting analysis. These analytical tools and theories are applied to topical issues in corporate finance ranging from mergers and acquisitions to corporate bankruptcy to managerial control and compensation strategies. Case studies are an integral part of this course.

**ADVANCED COURSES**

*Risk Management in Financial Institutions*

C15.0022 3 points.

Prerequisites: C15.0002, C15.0007, and senior standing.

Examines the problems encountered in a wide range of activities of financial institutions, including asset liability management, liquidity management, and market risk and credit risk management. Uses quantitative models such as “value at risk” to illustrate the types of models necessary to manage modern financial institutions.

Emphasizes factors relevant to strategic planning for financial institutions, including technological change, developments in the regulatory environment, international sources of competition, developments in money and federal Reserve policy, as well as entry by new types of institutions into existing financial markets.

**Topics in Emerging Financial Markets**

C15.0023 3 points. Fall or spring.

Prerequisites: C15.0007 and senior standing.

The perspective in this course is that of an investment manager who may be responsible for investment portfolios at a bank, an insurance company, a pension or endowment fund, a personal trust, or a mutual fund.

Emerging financial markets around the world are examined. Problems considered include political risk, currency risk, excess speculation or market manipulation, differing accounting rules and standards, and performance-measure comparison standards. Financial investments considered range from stocks to bonds to derivatives to real estate. Class discussion and reading focus on both the theoretical background and the practical knowledge necessary to deal effectively with the risks and opportunities that are a part of emerging financial markets.

*Debt Instruments*

C15.0026 3 points. Fall.

Prerequisite: C15.0002.

Covers the valuation of fixed income securities and investment strategies utilizing them. Topics include the mathematics of bond valuation, immunization, history of interest rate structures, varieties of debt instruments, default, and country risk considerations. The role of financial futures and options on bond portfolio strategies is analyzed, as well as more traditional approaches to debt portfolio strategies.

*Behavioral Finance*

C15.0029 3 points. Fall and spring.

Prerequisites: C15.0002 and C15.0007.

Uses human psychology and market frictions to shed light on asset returns, corporate finance patterns, and various Wall Street institutional practices. Starts with motivating evidence of return predictability in stock, bond, foreign exchange, and other markets. Proceeds to themes including the role of arbitrageurs in financial markets,
the psychological and judgmental biases of average investors, and the financing patterns (such as capital structure and dividend polices) of firms who raise capital in inefficient securities markets and/or are led by irrational managers.

International Financial Management
C45.0030 3 points. Fall, spring, and summer.
Prerequisites: C15.0002 and C45.0011.
Examines the operation of international currency exchange and capital markets and applies financial management principles to the financial decisions of multinational corporations. Addresses such topics as exchange rate forecasting, hedging of exchange and political risk, and financing and capital budgeting by multinational corporations. Employs readings and case studies.

Real Estate and Capital Markets
C15.0038 3 points. Fall and spring.
Prerequisite: C15.0002.
Introduces students to real estate securitization from both an equity and debt perspective. Analyzes alternative types of equity securitization vehicles including real estate investment trusts (REITs), commingled real estate funds (CREFs), real estate limited partnerships (RELPS), master limited partnerships (MLPs), and real estate swaps. Introduces students to mortgage-backed securities (MBS) as an example of real estate debt securitization. Explores mortgages with respect to differences in their cash flows, prepayment, and default probabilities. Discusses the dynamics of mortgage prepayments and pricing the embedded call option in a mortgage, followed by real world applications. Explores such mortgage derivatives as mortgage pass throughs, interest-only and principal-only strips, floaters and inverse floaters, and various types of collateralized mortgage obligations such as planned amortization classes.

Real Estate Finance
C15.0039 3 points. Fall and spring.
Prerequisite: C15.0002. Corequisite: C15.0007.
Covers theory and measurement of return and risk on real estate financial decisions. Topics include loan valuation theory, determination of future costs, discounting procedures for cash flows of income-producing properties, and utilization of negative cash flows. Finance theory is applied to real estate decisions regarding land subdivision, property development, lender strategies, and the role of government agencies in real estate.

Investment Principles
C15.0041 3 points. Fall and spring.
Prerequisites: C15.0002 and C15.0007.
The first part of this course looks at personal financial management strategies. Students develop prototype portfolios for individuals and families in different economic and demographic settings. Most of the course then focuses on the valuation of equity securities and investment strategies utilizing them. Topics include the mathematics of equity valuation, history of stock returns, and the many varieties of common stock risk. The course examines such issues as the role of mutual funds and pension funds, technical stock analysis, and ethical considerations in using information that impacts stock prices. Written reports and longer papers are required.

Investment Topics
C15.0042 3 points. Spring.
Prerequisites: C15.0002; C15.0007, and senior standing.
Focuses on more advanced topics in investments. The course is somewhat quantitative in nature as the primary focus is on specialized types of securities. Topics may include securities trading practices, derivatives valuation models, hedging and risk management techniques, and bond valuation analysis. Other topics may include empirical studies of price behavior in security markets and portfolio management techniques in complex markets. Readings, problem sets, and short cases are employed.

Futures and Options
C15.0043 3 points. Fall and spring.
Prerequisites: C15.0002, C15.0007, and senior standing. Restriction: cannot be taken for credit in addition to C31.0337.
Covers derivatives and securities markets. The primary focus is on financial futures and options, but there are also references to the markets in commodity market instruments. Topics include market institutions and trading practices, valuation models, and hedging and risk management techniques. The material is inherently more quantitative than in some other courses, and doing homework problems is an essential part of the work expected.

Investment Banking
C15.0045 3 points. Spring.
Limited enrollment. Prerequisites: C15.0002, C15.0007, and senior standing.
A broad overview of the role of investment banking in modern society. Explains which functions are performed and how these tasks are carried out in competitive and noncompetitive environments. Concepts discussed include the origination, syndication, and distribution of security issues. Other topics include the pricing of new issues and the management of issues in the after markets, the role of investment bankers in restructuring industry, financing governments, and facilitating saving and investment. Ethical issues investment bankers must face are considered.

Risk and Insurance
C15.0081 3 points. Fall and spring.
Prerequisites: C15.0002 and C15.0007.
Provides the background for understanding the role of insurance and risk management as it applies to business and personal pursuits. Includes a review of the major elements of life insurance, property and casualty insurance, and health insurance; the focus is on basic terminology, contract analysis, and investment implications. Risk issues from the view of both the insurance company and corporate user of insurance are considered. Illustrations apply to both corporate needs and an individual’s estate planning and insurance.

Distinguished Professor Seminar
C15.0095 3 points. Offered every third semester.
Prerequisites: C15.0002, C15.0007, senior standing, and permission of the undergraduate program coordinator.
This seminar explores the research interests and professional philosophy of one or more of the Department of Finance’s distinguished professors. In the past, the course has focused on such issues as the rapidly changing technology of Wall Street, investment banking opportunities and disasters, and the growth of the international financial markets. Outside senior finance executives may be brought in as guest lecturers. Students are expected to participate in this tutorial seminar both by active class participation and by written essay work.

Independent Study in Finance
Fall, spring, and summer.
Prerequisites: C15.0002, C15.0007, and permission of the undergraduate program coordinator.
Supplementary study for students taking course work where additional points are needed. An opportunity for a few seniors each year to work one-on-one with a faculty member on a topic the student selects. The student is expected to spend as much time on the independent study as would be spent on a regular course, and the topic selected may not replicate an existing course. An information sheet on the course is available at the front desk of the departmental office (Henry Kaufman Management Center, Room 9-190) or on the department’s Web site at www.stern.nyu.edu/fin.