Title of the course: Financial arithmetic

Course ID: VE-PSZT005

Level of education: Erasmus  Academic semester: Spring

Professor’s name: György Rosta  Academic title:

Hours per semester: 30  Credits: 6

Exam: Pre-requisites:

Course description:

This course is an introduction to the operations and logic of financial and capital markets, an overview of the most important financial calculations, to analyze financial problems on the basis of pricing of different instruments. Case studies will be discussed and solved to promote understanding similarities and differences of various instruments.

Topics covered:

1. Basic financial arithmetic. Simple interest
2. Compound interest
3. Nominal and effective rates
4. Continuous discounting
5. Loan repayment schemes
6. Evaluation of cash flow
7. Depreciation and book value
8. Currency swaps and forward transactions
9. Share price and yield
10. Pricing of discount securities
11. Forward interest rate and yield curve
12. Risk and return
13. Capital Asset Pricing Model (CAPM)
14. Futures
15. Options
16. Summary and consulting

Requirements and evaluation:

30% classroom activity
30% case studies
40% final exam

Class participation and active involvement are strongly recommended.

Readings

1. Stuart Warner: Finance Basics Secrets, Collins