

<b>Title of the course:</b>	Financial arithmetic		
<b>Course ID:</b>	VE-PSZT005		
<b>Level of education:</b>	Erasmus	<b>Academic semester:</b>	Spring
<b>Professor's name:</b>	György Rosta	<b>Academic title:</b>	
<b>Hours per semester:</b>	30	<b>Credits:</b>	6
<b>Exam:</b>		<b>Pre-requisites:</b>	

**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
2. Brealy- Myers: Principles of Corporate Finance, Fifth Edition, International Edition, 1996, The McGraw- Hill Companies, Inc.