



Kazakh-British Technical University

Business School

Finance and Accounting Department

APPROVED

Dean of KBTU Business School

Dr. Ewan Simpson, Ph.D.

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SYLLABUS

Economics for Investment Decisions II

Instructor's Personal Information	Contact Time & Place		Contacts
	Lectures/Tutorials	Office Hours:	
Alex Mosesov, Ph.D Associate Professor of Economics	According to the schedule	According to the schedule	a.mosesov@kbtu.kz http://kbtu- bs.kz/Our_Administration.aspx

Almaty

Fall 2014

Course Description

Economics is a social science that deals with the allocation of resources within and across firms, households, and other decision-making units. It also deals with the functional and personal distribution of income. As such, it covers the operation and organization of firms and industries, the determination of prices for factors and products, as well as the determinants of economic growth and development. It analyzes production, consumption, investment, employment, international trade, and government interventions including fiscal, monetary, and trade policies. Thus, both micro- and macro- economic analyses are essential in the decision making of businesses, households and governments. This course covers in-depth aspects of international trade and finance, economic growth implications in business decision making, as well as impacts of the government regulation of the economy.

Course Objectives

The objective of this course is to introduce students to economic decision making for businesses and to provide students with analytical tools that are useful in industrial business environment. This will enable the students to learn functional areas of economics, such as international trade and finance, economic growth implications in business decision making, impacts of the government regulation on the economy and business decision making.

Course Outcomes

The course will match objectives of the Master's program and at the same time it will be focused on the Learning Outcomes of Level II CFA Program Curriculum – Study Session 4 (Readings 12-14). By the end of the course, the students should know the fundamentals of international trade and foreign exchange markets, the interrelationships between exchange rates, interest rates and inflation rates, the variables that the economic growth process along with three theories that provide insight into the key drivers of economic growth, as well as issues of how governments can influence a country's future economic growth through regulation.

Knowledge

Students will have the tools and techniques to be able to:

- ✓ calculate and interpret the bid–ask spread on a spot or forward foreign currency quotation and describe the factors that affect the bid–offer spread;
- ✓ identify a triangular arbitrage opportunity and calculate its profit, given the bid–offer quotations for three currencies;
- ✓ distinguish between spot and forward rates and calculate the forward premium/ discount for a given currency;
- ✓ calculate the mark-to-market value of a forward contract;
- ✓ explain international parity relations (covered and uncovered interest rate parity, purchasing power parity, and the international Fisher effect);
- ✓ describe relations among the international parity conditions;
- ✓ compare factors favoring and limiting economic growth in developed and developing economies;
- ✓ describe the relation between the long-run rate of stock market appreciation and the sustainable growth rate of the economy;
- ✓ explain why potential GDP and its growth rate matter for equity and fixed income investors;
- ✓ distinguish between capital deepening investment and technological progress and explain how each affects economic growth and labor productivity;
- ✓ forecast potential GDP based on growth accounting relations;
- ✓ describe tools of regulatory intervention in markets;
- ✓ explain purposes in regulating commerce and financial markets;

- ✓ describe anticompetitive behaviors targeted by antitrust laws globally and evaluate the antitrust risk associated with a given business strategy;
- ✓ describe benefits and costs of regulation;
- ✓ evaluate how a specific regulation affects an industry, company, or security.

Core Text

- ✓ Piros & Pinto. Economics for Investment Decision Makers: Micro, Macro and International Economics. Wiley, 2013. ISBN 978-1-118-10536-8 (cloth); ISBN 978-1-118-41880-2 (ebk).

Additional Reading

- ✓ Schweser. Notes CFA Level II (Level 2) 2011. Ethical Professional Standards Quantitative Methods and Economics. Kaplan Int. 2010
- ✓ CFA Program Curriculum (Study Sessions): Economics - Level 2, 2011 (L2)

CURRICULUM PLAN

Topics	Classroom Hours (15 hours)			Readings	Core Text Chapters
	Topic	Lectures	Tutorials		
		Hours	Hours		
1.	Currency Exchange Rates: International Trade and Capital Flows	4	2	Reading 12 (L2)	8
2.	Currency Exchange Rates: Currency Exchange Rates	4	2	Reading 12 (L2)	9
3.	Currency Exchange Rates: Determination and Forecasting	4	2	Reading 12 (L2)	10
Mid-Term Exam					
4.	Economic Growth and the Investment Decision	4	2	Reading 13 (L2)	11
5.	Economics of Regulation	4	2	Reading 14 (L2)	12

Final Exam

COURSE SCHEDULE CHART

Topics	27-Nov Thu	29-Nov Sat	2-Dec Tue	11-Dec Thu	13-Dec Sat	16-Dec Tue	18-Dec Thu	20-Dec Sat	23-Dec Tue	CFA Study Session 4 Readings
Topic 1	3	3								Reading 12
Topic 2		3	3							
Topic 3				3	3					
Topic 4					3	MT	3			Reading 13
Topic 5								6		Reading 14
Final									FIN	

Lectures cover the theoretical framework. Therefore students are provided with material on the Intranet. Class participation or activity of a student in class are welcomed and are part of the final grade. A requirement for graduate students is to prepare for each lecture by reading ahead.

Practical Classes are carried in the form of problem solving in the classroom. Preparation for practical training is the solution of similar problems in accordance with the theme of lectures.

Attendance and Class Participation is required and is a part of your final grade. Attendance is NOT the same as participation. Besides the submission of homework before each class started, students are expected to participate in class discussions and problem solving. Despite the lectures would be based on the mains part of the required book, many practical issues might be considered only during the lectures, so omitting them may affect your performance. Besides, class discussions and questions make the subject more interesting and relevant, for both students and the instructor.

STUDENTS, WHO MISSED THE CLASSES OVER THE 20% OF ALL CLASSES WITHOUT THE NOTIFICATION OF A LECTURER, WILL GET "F" GRADE FOR THE COURSE. Being late or leaving before the end of class (regardless of a reason) might be treated as one missed day. One of the main requirements of the course is to be prepared BEFORE the class, i.e. look through the mentioned in the syllabus assigned chapters, perhaps some additional materials ("read ahead"), and be ready to be active during the discussion or problem solving.

Policy Evaluation of Knowledge (see "GRADING CRITERIA" section below)

Final Exam or Paper covers and summarizes all course material. The exam or paper is conducted in writing, and is a combination of tasks that will include tests, tasks, work with the terms, etc. throughout the courses. No additional jobs for the exam to improve assessment, if it is low, will not be issued. Retake is also not available. Both Mid-Term, and Final exams are estimated at 25 % of the total grade. The final grade is in accordance with the adopted KBTU rating scale.

Participation

Class participation is encouraged and makes up to 20% of the total grade for the course. Additional 30% of the final grade will be offered for the timely and accurate accomplishment of home assignments.

Late Submission

A failure to meet specified deadlines in the absence of acceptable extenuating circumstances will be penalized by 50% deduction of relevant grades. The same approach is applied for overall topic sketches/summaries (home-works) which are due to be submitted at the beginning tutorial next day after lecture.

Plagiarism and Collusion

The penalties for plagiarism and/or collusion are severe: up to decision of "F" (a failure of the course).

GRADING CRITERIA

No	Assessment Criteria	27-Nov Thu	29-Nov Sat	9-Dec Tue	11-Dec Thu	13-Dec Sat	16-Dec Tue	18-Dec Thu	20-Dec Sat	23-Dec Tue	Final Scores
1	Attendance / Participation	2	4	2	2	4		2	4		20%
2	SIS		2	4	2	2		4	2	4	20%
3	Mid-Term					30					30%
4	Final Exam									30	30%
	Total:										100%

ACADEMIC POLICIES OF CONDUCT AND ETHICS

Students should:

- ✓ be respectful to teachers and other undergraduates;
- ✓ turn off cell phones in time employment;
- ✓ not cheat. Plagiarism and other forms of cheating are not allowed;
- ✓ comply with deadlines for assignments;
- ✓ come prepared for each class. Retake tests is not available without a valid reason;
- ✓ comply with the policy on W, AW, I, F.

Instructor welcomes the following:

- ✓ discuss with a teacher any problems regarding this subject;
- ✓ submit the assignments on time;
- ✓ make any suggestions to improve the academic process;
- ✓ track their progress throughout the semester.

Cell Phones

Any sound devices must be in silent function and not allowed to use during the lectures, tutorials and the final exam.

Groundless Requests

Any groundless requests of students which refer to give additional points and/or any attempts to negotiate with Instructor on student's performance will be considered as violation of rules. This violation will penalized by deductions of 20% points from the overall grade of the student.

Assistance: Do not ever hesitate to request assistance during the office hours with anything you do not understand or need advice.

GRADING SYSTEM:

Letters	Numerical Equivalent	Percentage	Traditional
A	4.0	95-100	Excellent
A-	3.67	90-94	
B+	3.33	85-89	Good
B	3.0	80-84	
B-	2.67	75-79	Satisfactory
C+	2.33	70-74	
C	2.0	65-69	
C-	1.67	60-64	
D+	1.33	55-59	
D	1.0	50-54	Unsatisfactory
F	0	0-49	