



**MASARYK
UNIVERSITY**
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Finance (Basics)

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Organisation of the course

- Lectures + seminars
- **Requirements – compulsory parts**
 - Active participation in seminars (Students are allowed to skip 3 lessons without any excuse)
 - Taking two tests (in the 5th and in the 10th week of the semester)
 - Final exam
- **Evaluation**
 - Test I – 20 points
 - Test II – 20 points
 - Final exam – 30 points
 - Two pieces of homework – 5 + 5 points
 - Essay on a related topic – 10 points
 - Presentation of the essay – 10 point

Essay + presentation

- (Optional part)
- Two pieces of homework during the semester
- Essay
 - having approximately two A4 pages
 - Essays will be presented (oral presentation) in the lesson during the semester (according to the schedule which will be set during the first two weeks)
 - Each essay has to be supported by literature sources, has to be topical and in accordance with citation rules
 - For further information, see the file “Essay – topics”
- Recommended participation in lectures

Final mark

Final score	Mark
100 – 90	A
89.75 – 80	B
79.75 – 70	C
69.75 – 60	D
59.75 – 50	E
<50	F

Students are allowed to re-sit:

Test I + Test II (one attempt; students will be given one piece of test, covering the whole semester). It is not possible to resit any of the tests separately.

Final exam

Final exam

- Computer based exam
- Maximum number of points: 30
- One term in December + 3 terms in January
- “Close books” exam
- Sample examples will be accessible three weeks before the exam

Structure of lectures

- Introduction to finance
- Financial markets
- Banks and bank systems
- Other financial institutions
- Present value of money
- Private finance
- Investments
- Corporate finance
- International finance
- International financial system
- Macroeconomic and financial indicators and information
- History of financial science
- Latest trends on financial markets

Finance

- Finance
 - Finance describes the management, creation and study of money, banking, credit, investments, assets and liabilities that make up financial systems, as well as the study of those financial instruments.
- Functions of finance
 - Promoting investments and savings
 - Providing borrowers with funds
 - Providing lenders with earnings
 - Facilitating of loans
 - Facilitating balanced economic growth

Finance = money?

Is this equation always true?

- Cash vs. Credit money
- Functions of money:
 - Medium of exchange
 - Unit of account
 - Store of value

Scope of finance

- Corporate Finance*
- International Finance*
- Private Finance*
- Public Finance*
- Derivatives*
- Risk Management*
- Portfolio Theory*
- Asset Pricing*
- Financial Economics*

Indicators

- GDP (gross domestic product)
- GNP (gross national product)
- Inflation
- Rate of unemployment
 - Rate of labour activity
 - Rate of employment

Financial market

- = A **financial market** is a market in which people trade financial securities, commodities, and other fungible items of value at low transaction costs and at prices that reflect supply and demand
- **Roles of financial market**
 - Transfer of resources
 - Price determination
 - Productive usage
 - Enhancing income
 - Information

Primary and secondary market

- Primary market
 - New issues and new claims
 - Those securities which are issued for the first time
- Secondary market
 - Secondary sale of securities

Types of financial markets

- Money market
- Capital market
- Derivative market
- Financial service market
- Depository market
- Non-depository market

Financial derivatives

- = financial products which are used to *control* risk or paradoxically *exploit* risk
- = based on time discrepancy
- Types
 - Future
 - Forward
 - Swap
 - Option
 - Call option
 - Put option

Members of financial market

- Surplus part (lenders)
- Deficit part (borrowers)
- Banks/institutions
- Importer/exporter
- Speculators
- Governments

Nominal and real interest rate

- Nominal interest rate
 - Cost of loan
 - Interest rate offered by banks
- Real interest rate
 - **Real interest rate = nominal interest rate - inflation**

Thank you for your attention

References

- MISHKIN, Frederic S. *Financial markets and institutions*. Eight edition, global edition. Boston: Pearson, 2016. Always learning (Pearson). ISBN 978-1-292-06048-4.