Eco 3360 - FIN3360:
MONEY & BANKING (ONLINE)

Spring 2018, Section: D10

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ONLINE OFFICE HOURS:
M – W: 10:30 – 1:00, TUE. 12:00 – 2:00, THR: 12:00 – 4:00
(Thursday is BY APPOINTMENT ONLY).

⇒ ⇒ ⇒ ⇒ PREREQUISITE: Eco2301 (Macro).

WEBCAM REQUIRED FOR EXAMS

I. OVERVIEW: The role of money, financial markets, and institutions. Monetary theory, central bank monetary policy, and the international financial system

II. Book:

Loose-leaf with Connect Access, or Connect Access only (comes with e book).

III. WHAT WILL HAPPEN IN THIS COURSE?
There are Connect quizzes, tests (on Blackboard) which you will take on certain dates (see Bb Course Calendar), and two papers.
No need to get confused. Everything is on Bb.
Your grade will be a weighted average of your scores on those quizzes, papers, and tests (tests weigh more than quizzes).
You study the material, take the quizzes and tests, get good grades and pass!
Awesome!
IV. STEP by STEP:
HOW TO GET STARTED? WHERE TO BEGIN?
WHAT TO DO FIRST?
1. Read and understand the syllabus. Syllabus is our contract. You can find the syllabus on BB under the EVERYTHING is HERE tab also.
2. Make sure your computer and internet connection are fit for the course. Also make sure you have the latest version of Respondus Lockdown Browser on your computer. More on this below.
3. Under the “Everything is here” tab, there is a red folder titled “FIRST, Take Care of the items in this folder. Connect Registration is here”. Pretty much everything you need to get set up is in that folder.
4. (RED FOLDER) Create your account in Connect (see the instructions below). It will give you a bonus quiz grade!!! You cannot complete any graded work (quizzes) unless your Connect is set up. There is a deadline. Do not miss it.
5. (RED FOLDER) Take the WEBCAM Bonus quiz in the RED folder to make sure your webcam works fine. This will also give you a bonus quiz grade!!! There is a deadline. Do not miss it.
6. (RED FOLDER) Take the Syllabus Bonus quiz in the RED folder to make sure you understood everything about the course. It will give you another bonus quiz grade!!! There is a deadline. Do not miss it.
7. Everything will be done on Bb. Chapter Notes, links to quizzes, syllabus, and links to e-book etc., pretty much everything you need can be found under the “EVERYTHING is here” tab on BB.
8. The dates for quizzes and tests are on the Bb, Course Calendar. Study the material and do the quizzes and tests on Bb before they expire. Do not miss any because there are no makeups. Always watch the calendar. Always.
Please understand: I am here for you. Taking this online course does not mean that you are completely on your own. I am approachable, I am accessible, I am available. You must let me know immediately if you are having problems.

CREATING YOUR ACCOUNT IN CONNECT

(RED FOLDER):
You will do this only once. You need the access code that came with the book (or you can purchase it on-line from the publisher’s website while taking the bonus quiz to create your account).
- Go to Bb, “Everything is here” tab. Get in the red folder titled “FIRST, Take Care of the items in this folder. Connect Registration is here”. Find the bonus quiz for Connect registration.
- When you click the Bonus Quiz link, then, Connect will take over and will either ask for your access code or will ask you to purchase one right there.
- THERE IS ALSO A FREE TRIAL (no payment for a couple of weeks) option. BUT, YOU MUST BE CAREFUL because at the end of the trial period, if you do not complete the purchase, all work will be lost! You will have all those zeros for the work you have completed.
- Just follow the simple instructions and complete creating your account. If you do not complete creating your account by the due date, you will receive (zero) from that quiz.
- Also, you must find the correct answer (easy) and submit the bonus quiz. If you do not submit the bonus quiz, the assignment will be incomplete (grade = zero).
- Remember, you will be missing all other graded quizzes until your account is set up in Connect.
• **(RED FOLDER)** WEBCAM BONUS QUIZ: We have a bonus quiz to make sure your webcam is working fine. If you complete and submit it before the due date, you will get a 100 from the quiz. If you miss, it is a zero. If you need more info about Webcams, there is a link on your Bb for Respondus Monitor Help.

• **(RED FOLDER)** SYLLABUS BONUS QUIZ: We have a bonus quiz to make sure you read and understood the course syllabus entirely. If you complete and submit it before the due date, you will get a 100 from the quiz. If you miss, it is a zero.

• **LOCK DOWN BROWSER:** You must download and install Respondus LockDown Browser which is a secure browser for taking tests in Bb. In order to download the LockDown browser, go to Bb support on your Bb page and follow the instructions.

• If you have completed all this, you are ready for the course.

V. **Course Objectives:**

There are three primary objectives of this course.

- Learn and understand basic economic concepts related to M, B, and FM.
- Develop a basic understanding of the financial system,
- Analyze the conduct and influence of monetary policy.
- And, as usual, learn to apply the material.
VI. GRADING and POLICIES:

A weighted average of 3 Exams, 2 written Assignments, and Quizzes will determine your course grade.

<table>
<thead>
<tr>
<th>Quiz or Test</th>
<th>Chapters/Sections</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connect Quizzes</td>
<td></td>
<td>20%</td>
</tr>
<tr>
<td>2 written assignments</td>
<td></td>
<td>20%</td>
</tr>
<tr>
<td>Test 1</td>
<td>Chp. 1, 2, 4, 5, 7</td>
<td>18%</td>
</tr>
<tr>
<td>Test 2</td>
<td>Chp. 11, 12, 15, 16</td>
<td>18%</td>
</tr>
<tr>
<td>Test 3</td>
<td>Chp. 17, 18, 20, 21, 10, 14.</td>
<td>24%</td>
</tr>
</tbody>
</table>

Mon., May 07, 8:00 AM – 11:30 PM

Total 100%

- Exams and quizzes will consist of multiple choice questions, short – answer questions and numerical problems. There will be no homework, project or other graded assignment for this course. Just the exams, quizzes, and two papers.

- There will be NO make-up exams. And, NO, does not mean ‘maybe’. It means NO. If you will have a planned absence, you can make an arrangement with me to take the exam prior to its administration in the class. Otherwise, there is NO way for you to make up the exam once you miss it.

- The grading scale will be as the following:
  90 and above: A; 80 – 89: B; 70 – 79: C; 60 – 69: D; 59 and under: F.

VII. TEST and WEBCAM RULES:

This is TOO important, so it had to have its own section.

- You can use your notes and the book in the test (not the ebook, see below).

- However, you cannot use any electronic device other than the computer on which you are taking the test, and a simple calculator. That’s it. You cannot use a second computer, tablet, whatever. You cannot have a friend or family, you cannot use your phone, you cannot
make or take a call, you cannot use a walkie-talkie, teleporter, phaser gun, time machine, nothing.

- You must use the webcam during the test that would require the LockDown Browser. LockDown Browser means you cannot use the ebook.

- LockDownBrowser and webcam is required only for tests. Not for quizzes. You can use any browser that will work for quizzes and no webcam needed for quizzes.

- Not a rule, but suggestion: Instead of wifi, Use an Ethernet cord to “hard wire” your computer to the router helping to ensure you will not lose connection with Blackboard.

- CRITICAL: You MUST make sure that the webcam shows you at all times (not the top of your head, not the ceiling, not the floor). Make sure you are properly framed so your face and shoulders can be seen as well as some of the background. Also, the lighting should not be too dark or not directed into the lens, blinding the shot. You should have a clear, well-lit picture.

- Be sure not to mute your microphone. It is important that the audio be on for Webcam.

- If I cannot see the video clearly, your test will be voided (dropped) AND you will be required to take a proctored essay test. Please make sure that will not happen.

- If I see something that leads me to believe that you have violated the rules, you will receive a zero and face possible disciplinary action.
VIII. FREQUENTLY ASKED QUESTIONS AND HELPFUL HINTS

WHEN SHOULD I DO THE QUIZZES?
The deadlines for quizzes are not suggestions for when to take the quiz. You should not wait until the deadline to do the quiz, you should do them as soon as you are ready. Most quizzes have two attempts, the highest score will be taken.
Always watch the calendar because there may be changes (just in case). You are responsible for keeping up with the flow of class. Once the deadline comes, the quiz expires. It is gone. You get a zero. There is no make up.
Tests are different because tests are not available before the test day. You can only take the test on the test day. Check the calendar frequently. Always check the calendar.

WHAT IF I HAVE QUESTIONS?
You can post your questions on the discussion board and get a discussion topic going among your classmates. I will also check the discussion board during online office hours and respond when necessary.

ONLINE Office Hours: The main contact between us will be through the discussion board on Blackboard. I will monitor and participate in the discussion board during the following hours: M – W: 10:30 – 1:00, TUE. 12:00 – 2:00, THR: 12:00 – 4:00 (Thursday is BY APPOINTMENT ONLY).
OF COURSE you can always e-mail me, anytime you want. I make an effort to respond fast.
Please note that no hours are listed for Fridays and weekends. I will check the board and emails during those times also. But, there might be longer wait times.
You can also drop by during my office hours which are the same as above except Thursdays. Thursday office visits are by appointment only. As a rule of thumb, I always suggest to check and make sure I am at the office before you come. We may have university committee meetings, doctor appointments etc. that could sometimes cause us to miss office hours.

The most important thing is to let me know immediately if you are having any problems. Once again: I am here for you. Taking this online course does not mean that you are completely on your own. I am approachable, I am accessible, I am available.
IX. Tentative Schedule and Outline:

PART 1  MONEY AND THE FINANCIAL SYSTEM

1 Introduction
   List and explain the six parts of the financial system.
   Identify the five core principles of money and banking.

2 Money and Payments
   Define money and describe its functions.
   Discuss the different methods of payment and the future of money.
   Explain how the money supply is measured and how it is linked to economic growth and inflation.

4 Future Value, Present Value, and Interest Rates
   Compare the value of monetary payments using present value and future value.
   Apply present value to a stream of payments using internal rate of return and bond valuation.
   Explain the difference between real and nominal interest rates and how each is calculated.

5 Understanding Risk
   Interpret risk as a measure of uncertainty about payoffs.
   Explain how to quantify risk.
   Define risk aversion and explain the role risk premium plays in the risk-return tradeoff.
   Explain the difference between idiosyncratic and systematic risks.
   Demonstrate how to reduce risk through hedging and diversification.

7 The Risk and Term Structure
   Explain the links between credit risk, bond ratings, and bond yields.
   Distinguish taxable and tax-free bonds.
   Define the yield curve and interpret it using the expectations hypothesis and liquidity premium theory.
   Discuss how yields anticipate future economic activity.

Test 1 (18%)

PART 2  FINANCIAL INSTITUTIONS

11 The Economics of Financial Intermediation
   Discuss the role of financial intermediaries and how they promote efficiency.
   Explain asymmetric information, the problems it causes, and solutions to these problems.
   Describe how moral hazard and adverse selection are managed by intermediaries and how they influence business finance.

12 Depository Institutions
   Describe a commercial bank’s assets and liabilities.
   Define bank capital and key measures of bank profits and returns.
   Identify the type and sources of bank risk and explain how to control them.

15 Central Banks
   Explain the origin and functions of central banks.
   Analyze the objectives of central banks.
   Describe the features of an effective central bank.
   Discuss the relationship between monetary and fiscal policy.
16 The Structure of Central Banks: The FED
   Explain the structure of the Federal Reserve System.
   Assess the effectiveness of the Federal Reserve System.
   (Will not spend too much time on ECB)

Test 2 (18%)

SPRING BREAK

First paper due: Friday after SB (03/23/18) (10%)

PART 3 CENTRAL BANKS AND M. POLICY
17 The Central Bank balance Sheet and the Money Supply Process
   Describe the central bank’s balance sheet and the monetary base.
   Explain how the central bank’s balance sheet changes.
   Calculate the deposit expansion multiplier.
   Analyze the link between the monetary base and the money supply.
18 Monetary Policy
   Explain the conventional policy tools used by major central banks.
   Discuss the links between monetary policy tools and objectives.
   Use a simple guide to analyze monetary policy.
   Describe unconventional monetary policy tools and how they work.
19 Money Growth, Money Demand
   Discuss the role of monetary aggregates.
   Define the velocity of money and its role in the quantity theory of money.
   Describe the transactions demand and the portfolio demand for money.
   Explain why key central banks have shifted away from targeting money growth.
20 Output, Inflation, and Monetary Policy
   Describe the determinants of output and inflation in the long run.
   Show the role of monetary policy in the dynamic aggregate demand curve.
   Characterize the aggregate supply in the short run and the long run.
   Explain short-run and long-run equilibrium using the dynamic aggregate demand and aggregate supply curves.

PART 4 SELECTED TOPICS
10 Foreign Exchange
   Distinguish real and nominal exchange rates.
   Explain how prices and inflation affect exchange rates in the long run.
   Analyze the supply of and demand for currencies to explain exchange rates in the short run.
   Discuss government intervention in foreign exchange markets.
14 Regulating the Financial System
Identify the sources and discuss the consequences of bank runs, bank panics, and financial crises.
Explain why and how the government intervenes in the financial system, and the problems the government safety net creates.
Analyze how a government regulates and supervises the financial system to contain risk.

Second paper due: Monday of Dead Week (04/30/18) (10%)

Test 3 (24%)  Monday, 05/07/18, 8 AM – 11:30 PM.

X. Special Needs:
Persons with special needs which may warrant academic accommodations must contact the Student Life Office, Room 112 University Center, in order to request such accommodations prior to any accommodations being implemented. You are encouraged to make this request early in the semester so that appropriate arrangements can be made.

XI. Academic Honesty:
Angelo State University expects its students to maintain complete honesty and integrity in their academic pursuits.
Students are responsible for understanding the Academic Honor Code, which is contained in both print and web versions of the Student Handbook.