PERSONAL FINANCE

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| Course code | *FIN 115* |
| Compulsory in the programmes | *Finance* |
| Level of studies | *Undergraduate* |
| Number of credits and | *6 ECTS (48 contact hours + 6 consultation hours, 106 individual work hours)* |
| Course coordinator (title and name) | *Dmitrij Katkov, PhD, CFA* |
| Prerequisites | *Principles of Finance OR Introduction to Finance* |
| Language of instruction | *English* |

**THE AIM OF THE COURSE:**

The objective of the course is to provide students with an understanding of financial decision making framework as it relates to personal (household) finance The major topics covered include: prudent debt management, savings and investments, retirement planning, insurance. Students will learn how to evaluate different services provided by financial institutions as well as learn how to effectively use those services to their own benefit and the benefits of their future clients. An emphasis is drawn on the ethical considerations that financial advisers are facing in their work.

**MAPPING OF COURSE LEVEL LEARNING OUTCOMES (OBJECTIVES) WITH DEGREE LEVEL LEARNING OBJECTIVES (See Annex), ASSESMENT AND TEACHING METHODS**

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| --- | --- | --- | --- | --- |
| Course level learning outcomes (objectives) | Degree level learning objectives (Number of LO) BBM | Degree level learning objectives (Number of LO) BSS | Assessment methods | Teaching methods |
| SLO1.Appreciate the need of financial planning and its impact on wealth of the households | BLO1.1  BLO1.2 | ELO1.1 ELO1.2 | Mid-term exam | Lectures, seminars, self-study |
| SLO2. Identify and follow wise debt management practices. | BLO1.1  BLO1.2 | ELO1.1 ELO1.2 | Mid-term, final exam, group works | Lectures, seminars, self-study |
| SLO3. Apply concepts of time value of money to solve various financial planning problems. | BLO1.1  BLO1.2 BLO2.1 | ELO1.1 ELO1.2 ELO2.1 | Mid-term, final exam, group works | Lectures, seminars, self-study |
| SLO4. Identify and successfully manage risks that individuals and families face. | BLO1.1  BLO1.2 | ELO1.1 ELO1.2 | Mid-term, final exam, group works | Lectures, seminars, self-study |
| SLO5. Recognize, describe and evaluate various banking and investment products in the liquidity/risk and return framework | BLO1.1  BLO1.2 | ELO1.1 ELO1.2 | Mid-term, final exam, group works | Lectures, seminars, self-study, simulation |
| SLO6. Identify and engage in sound investment management practices | BLO1.1  BLO1.2 | ELO1.1 ELO1.2 | Mid-term, final exam, group works | Lectures, seminars, self-study |
| SLO7. Acquire and demonstrate awareness of consumer protection/regulation. | BLO4.1 BLO4.2 BLO4.3 | ELO4.1 ELO4.2 ELO4.3 | Final exam, group works | Lectures, seminars, self-study |
| SLO8. Demonstrate familiarity with ethical responsibilities inherent in the work of financial advisors | BLO1.1  BLO1.2 | ELO1.1 ELO1.2 | Final exam, group works | Lectures, seminars, self-study |

**ACADEMIC HONESTY AND INTEGRITY**

The ISM University of Management and Economics Code of Ethics, including cheating and plagiarism are fully applicable and will be strictly enforced in the course. Academic dishonesty, and cheating can and will lead to a report to the ISM Committee of Ethics. With regard to remote learning, ISM remind students that they are expected to adhere and maintain the same academic honesty and integrity that they would in a classroom setting.

**COURSE OUTLINE**

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| **Topic** | **In-class hours** | **Readings** |
| Introduction to personal finance  Role of financial planner/advisor  Financial planning process | 4 | Textbook, handouts |
| Time value of money revisited & Global Investment performance standards  Interest calculation methodologies  Nominal and effective APR  Geometric and arithmetic rates of return  Excel formulas | 4 | Textbook, handouts |
| Long-term debt management  Rent vs. buy decision  “Good” and “bad debt”  Loan amortization methods | 4 | Handouts, excel file |
| Short-term debt management  Credit cards, term loans  Credit rating assessment  Consumer protection | 4 | Textbook, handouts |
| Insurance markets. Risk Management for Individuals  Life insurance  Investment add-ons | 4 | Textbook, handouts |
| **Mid-term** | 2 |  |
| Wealth management  Goals and constraints  Investment policy statement | 2 |  |
| Investment in stocks | 6 | Handouts |
| Investment in bonds | 4 | Handouts |
| Mutual/ pension/ hedge funds  Investment Styles  Management process  Performance evaluation | 4 | Handouts |
| Diversification and global investing | 2 | Handouts |
| Ethical considerations in wealth management  CFA code of ethics | 2 | Handouts |
| Taxation of capital gains and income | 4 | Handouts |
| Risk management of financial portfolios | 4 | Handouts |
|  | **Total: 48 hours** |  |
| FINAL EXAM | 2 |  |
| CONSULTATIONS | 6 |  |

**FINAL GRADE COMPOSITION**

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| --- | --- |
| **Type of assignment** | **%** |
| *Group Components* | 25% |
| Financial Analysis Project | 25 |
| *Individual Components* | 75% |
| Mid-term examination | 35 |
| Final examination | 40 |
| **Total:** | **100** |

**DESCRIPTION AND GRADING CRITERIA OF EACH ASSIGNMENT**

*(Provide short descriptions and grading criteria of each assignment)*

**Examinations**

Midterm test and exam are closed book. Students should bring calculators and can have special tables for present and future value counting.

Midterm test counts towards 35% of the final grade. It consists of multiple-choice questions and problems from theory and exercises.

The final exam counts towards 40% of the final grade. Exam consists of multiple choice, problems, essay questions from theory and exercises.

**Group work**

There will be one formal group work during the course. Tasks (that will be given during the course) mustbe completed in a group up to 5 people (1-2 students do not make a group). Each group turns in a single copy of its work with the names of all contributing members listed. Coursework counts towards 25% of the final grade.

**REQUIRED READINGS**

Kapoor, Jack R., Les R. Dlabay, Hughes, R.J. *Personal Finance*. New York: McGraw-Hill/Irwin, 2012

**ADDITIONAL READINGS**

Evensky, Harold, Stephen Michael. Horan, Thomas R. Robinson. The New Wealth Management: The Financial Advisor's Guide to Managing and Investing Client Assets. Hoboken, NJ: J. Wiley, 2011. Print.

Redhead, Keith. Personal Finance and Investments: A Behavioural Finance Perspective. London: Routledge, 2008. Print

**ANNEX**

**DEGREE LEVEL LEARNING OBJECTIVES**

**Learning objectives for the Bachelor of Business Management**

*Programmes:*

*International Business and Communication,*

*Business Management and Marketing,*

*Finance,*

*Industrial Technology Management,*

*Entrepreneurship and Innovation*

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| **Learning Goals** | **Learning Objectives** |
| Students will be critical thinkers | BLO1.1. Students will be able to understand core concepts and methods in the business disciplines |
| BLO1.2. Students will be able to conduct a contextual analysis to identify a problem associated with their discipline, to generate managerial options and propose viable solutions |
| Students will be socially responsible in their related discipline | BLO2.1. Students will be knowledgeable about ethics and social responsibility |
| Students will be technology agile | BLO3.1. Students will demonstrate proficiency in common business software packages |
| BLO3.2. Students will be able to make decisions using appropriate IT tools |
| Students will be effective communicators | BLO4.1. Students will be able to communicate reasonably in different settings according to target audience tasks and situations |
| BLO4.2. Students will be able to convey their ideas effectively through an oral presentation |
| BLO4.3. Students will be able to convey their ideas effectively in a written paper |

**Learning objectives for the Bachelor of Social Science**

*Programmes:*

*Economics and Data Analytics,*

*Economics and Politics*

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| --- | --- |
| **Learning Goals** | **Learning Objectives** |
| Students will be critical thinkers | ELO1.1. Students will be able to understand core concepts and methods in the key economics disciplines |
| ELO1.2. Students will be able to identify underlying assumptions and logical consistency of causal statements |
| Students will have skills to employ economic thought for the common good | ELO2.1.Students will have a keen sense of ethical criteria for practical problem-solving |
| Students will be technology agile | ELO3.1. Students will demonstrate proficiency in common business software packages |
| ELO3.2. Students will be able to make decisions using appropriate IT tools |
| Students will be effective communicators | ELO4.1.Students will be able to communicate reasonably in different settings according to target audience tasks and situations |
| ELO4.2.Students will be able to convey their ideas effectively through an oral presentation |
| ELO4.3. Students will be able to convey their ideas effectively in a written paper |