

Finance 400 Section 1 (20420)

Investment Analysis

Spring 2019

<i>Instructor</i>	Mark Pyles
<i>Class</i>	10:50 – 12:05 TR, 218 Beatty
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<i>Office Hours</i>	2:00 PM – 3:00 PM TR 11:00 AM - 2:00 PM W

DESCRIPTION

This course covers basic investment theory with emphasis given to the analysis of securities, portfolio management and the operation of the securities market.

PREREQUISITES

Junior standing, ACCT 203, 204, DSCI 232, FINC 303, ECON 200, 201, MATH 104 or 250

OBJECTIVES

Course Objectives

Successful completion of this course will entail the student has a working knowledge in:

- types of financial investments
- financial market operations
- debt and equity investment valuation
- portfolio theory
- derivatives trading
- portfolio creation and performance evaluation

SB Objectives

Consistent with the goals of the School of Business, this course includes instruction in:

Communication Skills: Students will complete numerous written assignments that test their ability to effectively relate their understanding of investment principals. Assignments will require the student to accurately and effectively implement academic materials in simulated real world situations. Examples include trading explanations accompanying investment activity in simulated trading accounts and written explanations to accompany financial modeling cases in Excel. Successful completion will require a high level of grammatical and expository ability, as well as an understanding of the business style of writing.

Quantitative Fluency: This course requires extensive application of mathematical theory and practice. Students will be required to use standard algebraic calculations to solve realistic financial questions. Students will recognize that a level of quantitative proficiency is necessary to benefit from investment activity, from both the professional and private perspectives.

Global and Civic Responsibility: Students will be asked to solve problems related to ethical dilemmas, encapsulated in problems related to the global investment

environment. They will be asked to view issues through difference lenses and gain an appreciation for the complexities involved in addressing financial situations in a global economy. Students will learn to trade securities on exchanges around the world, develop an appreciation for the similarities and differences relative to domestic investment, and recognize the benefit of developing a global investment portfolio.

Intellectual Innovation and Creativity: Careful attention will be devoted to placing students in a position where they must utilize resourcefulness and creativity in solving problems related to the investing financial assets. Questions will be asked in ways that require the students to use the materials learned in a variety of ways, rather than simply requiring repetition of known processes. Such flexibility in application is a necessity in successfully addressing changing investment environments. Students will be required to address situations where changing external parameters are not only possible, but expected.

Synthesis: This course requires knowledge from the associated disciplines of accounting, economics, math, and statistics. As such, students are expected to apply a level of proficiency in those subject areas in their understanding of financial principles and investment applications.

COURSE MATERIALS

Textbook

The text is *Fundamentals of Investments* by Jordan, Miller, and Dolvin, 8/e.

Calculator

A basic scientific calculator is required. A financial calculator with functions such as present value and internal rate of return will also be used periodically throughout the class. If you buy a new one, I highly recommend the TI BA II Plus. It is inexpensive and is considered very easy to use.

COURSE POLICIES

Attendance Policy

It is unquestionably expected that each student attend and participate in all class periods. Attendance will be taken randomly at the instructor's discretion and the instructor reserves the right to include this information in determining the student's participation in the course and the corresponding grade impact (see "Assignments").

Honor Code

Lying, cheating, attempted cheating, and plagiarism are violations of our Honor Code that, when identified, are investigated. Each incident will be examined to determine the degree of deception involved.

Incidents where the instructor determines the student's actions are related more to a misunderstanding will handled by the instructor. A written intervention designed to help prevent the student from repeating the error will be given to the student. The intervention, submitted by form and signed both by the instructor and the student, will be forwarded to the Dean of Students and placed in the student's file.

Cases of suspected academic dishonesty will be reported directly by the instructor and/or others having knowledge of the incident to the Dean of Students. A student found responsible by the Honor Board for academic dishonesty will receive a XF in the course, indicating failure of the course due to academic dishonesty. This grade will appear on the student's transcript for two years after which the student may petition for the X to be expunged. The student may also be placed on disciplinary probation, suspended (temporary removal) or expelled (permanent removal) from the College by the Honor Board.

Students should be aware that unauthorized collaboration--working together without permission-- is a form of cheating. Unless the instructor specifies that students can work together on an assignment, quiz and/or test, no collaboration during the completion of the assignment is permitted. Other forms of cheating include possessing or using an unauthorized study aid (which could include accessing information via a cell phone or computer), copying from others' exams, fabricating data, and giving unauthorized assistance.

Research conducted and/or papers written for other classes cannot be used in whole or in part for any assignment in this class without obtaining prior permission from the instructor.

Students can find the complete Honor Code and all related processes in the *Student Handbook* at <http://deanofstudents.cofc.edu/honor-system/studenthandbook/>

Students with Disabilities

The College will provide reasonable accommodations for persons with documented disabilities. Students should apply at the Center for Disability Services/SNAP, located on the first floor of the Lightsey Center, Suite 104. Students approved for accommodations are responsible for notifying me as soon as possible and for contacting me one week before accommodation is needed.

ASSIGNMENTS

Exams

There will two non-cumulative midterm exams and a non-cumulative final worth 100 points each. Exams are given during the regular class period on the dates given in the schedule attached. Any instance of make-up or early exams will be based upon pre-approval and excused absences.

Homework

Homework will be assigned at the end of every chapter. The assignments will not be taken up for grading, but it is highly recommended that you complete them as they will provide a good indication of what to expect on tests.

Class Participation

There will be 20 points available for class participation. This is purely subjective and is based on the instructor's knowledge of your attendance and participation.

Projects

There will be two required projects during the course of the class. Each will be handed out in class approximately 2 weeks before they are due. Each project will be worth 50 points and will be based upon a real-world application of the in-class materials.

Investment Simulation

StockTrak is an online investment simulation, where students can buy and sell securities just as you do in the real world. The investment time period is approximately 12 weeks, beginning January 28, 2019 and ending April 26, 2019.

As we move throughout the course, students will be required to trade the financial assets as they are covered. To complete the overall requirements, the student must do each of the following during that time period:

- a. Open a Stock-Trak account (free with new textbook, approximately \$30 without).
- b. Make at least one transaction in each security area covered, which includes:
 1. Buy at least five stocks.
 2. Short sell at least one stock.
 3. Buy at least two bonds (corporate and government).
 4. Buy or sell at least two option (call and put).
 5. Buy or sell at least one futures contract.
 6. Buy at least one mutual fund.
- c. For each of the above transactions, the student should screenshot their trade confirmations.
- d. Students will complete two write-ups, one approximately mid-way through the simulation and the other at completion. Each will include the a record of trades made, and an explanation of successes, failures, and strategies.

Each write-up is worth 25 points. In addition, any student whose portfolio's ending value is above its beginning value will earn 2 extra points, and any student whose portfolio has a return greater than the S&P500 will earn an additional 3 points. Thus, the total point potential for this extra credit is 5 points.

GRADING

Exams (3 * 100 pts. each)	300
Projects (2 * 50 pts. each)	100
Stock-Trak	50
Class Participation	<u>20</u>
Total	470 Points

Letter grades are assigned as follows:

A = 90% - 100%	(421-470 pts.)
B = 80% - 89%	(374-420 pts.)
C = 70% - 79%	(327-373 pts.)
D = 60% - 69%	(280-326 pts.)
F = below 60%	(below 280 pts.)

Tentative Class Schedule:

Date	Chapter	Topic
Jan. 8	-	Introduction
Jan. 10	1	A brief history of risk and return
Jan. 15	2	Buying and selling securities
Jan. 17	2	Buying and selling securities (continued)
Jan. 22	3	Security types
Jan. 24	5	The stock market
Jan. 29	5	The stock market (continued)
Jan. 31	6	Common stock valuation
Feb. 5	6	Common stock valuation (continued)
Feb. 7	6	Common stock valuation (continued)
Feb. 12	Exam	EXAM #1: Chps. 1-3, 5, 6
Feb. 14	9	Interest Rates
Feb. 19	9	Interest Rates (continued)
Feb. 21	10	Bond prices and yields
Feb. 26	10	Bond prices and yields (continued)
Feb. 28	15	Stock options
Mar. 5	15	Stock options (continued)
Mar. 7	16	Option valuation
Mar. 12	16	Option valuation (continued)
Mar. 14	14	Futures Contracts
Mar. 19	-	Spring break (no class)
Mar. 21	-	Spring break (no class)
Mar. 26	4	Mutual Funds
Mar. 28	Exam	EXAM #2: Chps 4, 9, 10, 14-16
Apr. 2	11	Diversification and asset allocation
Apr. 4	11	Diversification and asset allocation (continued)
Apr. 9	12	Risk, return, and the SML
Apr. 11	12	Risk, return, and the SML (continued)
Apr. 16	13	Performance evaluation and risk management
Apr. 18	7/8	Market efficiency and behavioral finance
Apr. 30 (8:00)	Exam	FINAL EXAM: Chps. 11-13, 7, 8