I. **Class Meeting:** 3:00p.m. - 4:15p.m. on TRs in BE1004.

II. **Instructor Information**

    Instructor: Dr. Manfen Chen  
    Office: BE3003  
    Telephone: 461-5333  
    Email: mwchen@usi.edu  
    Office Hours: 1:15-3p.m. & 4:15 - 5:00 p.m. on Tuesdays and Thursdays  
    Other hours: by appointments.

USI RAVEAlert provides text alerts on your cell phone about weather-related emergency closing at the University of Southern Indiana. RAVE is a text message alert system for USI students and employees. Everyone with a USI email address is automatically enrolled in the RAVEAlert system. For more detailed information about RAVE information, visit the website at [http://www.usi.edu/emergency](http://www.usi.edu/emergency). In case of weather-related emergency closing at the USI, I will post announcement related to course work or assignments on Blackboard.

In compliance with the Vanderburgh County Department of Health, the Indiana Department of Health, and the Centers for Disease Control and Prevention recommendations, students should NOT attend class or any campus gatherings while ill with flu symptoms. Students with flu symptoms will be asked to self-isolate in housing or go home. It is very important that individuals avoid spreading the flu to others.

Students should inform me by email as soon as possible that they are absent because of flu symptoms and also report their flu-like symptoms on the Student Health Center web page [http://www.usi.edu/studenthealth/](http://www.usi.edu/studenthealth/).

III. **Prerequisites: FIN305**

It is the responsibility of students to insure that all course pre-requisite requirements are met prior to enrolling in this course. Students are subject to administrative removal from the course if, at any time, it is determined that course pre-requisites have not been met.

IV. **Required Text and Materials**

2. Daily reading of the *Wall Street Journal* is recommended. Students are also urged to read the daily financial news offered on various sites on the Internet.
3. A business financial calculator is required. Students are required to bring their business calculators to every class. No sharing of calculators is permitted during examinations.
V. Course Description

This course is to provide an overall understanding of investment analysis in common stock, bonds, and other classes of financial assets. The discussion of financial statements within the context of investing and the sources of information available to investors will also be covered.

VI. COB Skill Development

This course will help students to develop skills of critical thinking.

VII. Course Objectives

This course provides an introduction to the principles of investments including the role of different financial securities and markets, the essence of efficient diversification and asset allocation, bond and equity valuation, stock price behavior and market efficiency, and the basics of derivatives and option strategies. The objectives of the course are twofold: help students to obtain fundamental knowledge of investment and to develop skills of critical thinking.

Objective 1: Knowledge of the Principles of Investments and Learning Assessment

Upon completion of this course, students are able to articulate, explain or identify the following major topics. The learning outcome of the knowledge part of this course is assessed through the multiple choice questions and short answer/essay questions of three noncumulative exams.

1. Compare the mechanics and investment implications of buying on margin and short selling.
2. Contrast open-end mutual funds with closed-end funds, exchange-traded funds, and hedge funds.
3. Demonstrate how covariance and correlation affect the power of diversification to reduce portfolio risk.
4. Construct efficient portfolios.
5. Describe the risk-return tradeoff in portfolio management.
6. Discuss the valuation of financial securities (stocks and bonds).
7. Describe the usage of duration of bonds and its impact to the bond prices given a change of market interest rates.
8. Explain how options work and describe their characteristics.
9. Elaborate the motivation and structure of some popular option strategies: protective puts, covered calls, straddle, and spreads.

Objective 2: Skills of Critical Thinking and Learning Assessment

The skill of critical thinking is developed by means of portfolio assignment. Students are required to conduct a fundamental analysis on a company and then form an investment strategy. Furthermore, students are required to trade in different securities, such as mutual
funds, bonds, and futures, and engage in options. Upon completion of this assignment, students are able to:

(1) Analyze the company’s financial statements using ratio analysis.
(2) Apply the Dividend Discount Model, the Residual Income Model, the Price Ratio Analysis (P/E, P/CF, and P/S), and the Enterprise Ratio to estimate its stock price and compare the estimates to its market price to form an investment strategy.
(3) Apply different investment strategies to hedge long or short positions.

The learning outcome of the skill of critical thinking is assessed using the Critical Thinking Rubric with three traits.

Trait 1: Information
   a. Find relevant information to conduct ratio analysis.
   b. Find relevant information to estimate discount rate and growth rate.
   c. Find relevant information to estimate market risk premium.
   d. Report the comparison of selected stock to their peers and to their industry averages.

Trait 2: Viewpoints
   a. Incorporate viewpoints from multiple stakeholders, such as security analysts, economists, fund managers, investors, and insiders/managers.

Trait 3: Conclusion
   a. Based on estimates of stock price and comparison of selected stock and its peers, discuss the investment strategy employed.
   b. Conclude the effectiveness of the employed investment strategies and lessons learned.

<table>
<thead>
<tr>
<th>Critical Thinking Trait</th>
<th>Critical Thinking Rubric Evaluation for the Written Report of Portfolio Simulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information</td>
<td>Does Not Meet Expectations</td>
</tr>
<tr>
<td></td>
<td>Uses no/very limited information</td>
</tr>
<tr>
<td>Viewpoints</td>
<td>Does not incorporate multiple viewpoints/stakeholders</td>
</tr>
<tr>
<td>Conclusion</td>
<td>Conclusion is not clear or does not logically follow from prior analysis</td>
</tr>
</tbody>
</table>

VIII. Attendance

Class attendance and class participation are regarded as an obligation as well as a privilege. Students are expected to attend the class regularly and punctually and complete all required assignments. No absence for any reason will be construed as
excusing students from the responsibility for completing work assigned by the instructor. However, in order to encourage students to come and to participate in the class, the following system will be used to add bonus points to the final grade:

<table>
<thead>
<tr>
<th>Attendance</th>
<th>Bonus Points</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perfect attendance</td>
<td>2 points</td>
<td>2%</td>
</tr>
<tr>
<td>One missed class</td>
<td>1 point</td>
<td>1%</td>
</tr>
<tr>
<td>Two missed classes</td>
<td>0.5 points</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

Although the bonus points may appear to contribute a relatively small amount to the final grade, they often play a critical role in determining borderline final grades. Thus students should not ignore the impact that class attendance has on your final grade. Class attendance will be checked at the beginning of each class. Coming late to class or leaving the class early will be counted as an absence. Students will not be penalized for necessary (excused) absences. But students are responsible for all material presented or handed out during missed classes, as well as all additional assignments and/or administrative announcements.

IX. Evaluation Procedure and Grading Policy

1. There will be three noncumulative exams. Although none of the exam is deliberately cumulative, concepts developed in earlier chapters will necessarily be employed in later chapters. The average of exams is counted 80% of your final grade.

<table>
<thead>
<tr>
<th>Exam</th>
<th>Tentative Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exam I</td>
<td>Feb. 19 (Thursday)</td>
</tr>
<tr>
<td>Exam II</td>
<td>March 31 (Tuesday)</td>
</tr>
<tr>
<td>Final Exam</td>
<td>May 5 (Tuesday)</td>
</tr>
</tbody>
</table>

Although examination dates are tentative, the exact examination dates will be announced at least one week in advance. Make-up exams will be given only to students with legitimate reasons. I must be informed of an absence before the exam or as soon as you can. If you cannot reach me, send me an email or leave a message on my answering machine. The documentation for a legitimate excuse should be submitted immediately upon your return to school so that I can schedule a make-up exam as soon as possible (before exam papers are returned). Please be aware that the questions of the make-up exam may be different from the questions of the assigned exam. If you do not make up an exam before exam papers are returned, you will be required to take a comprehensive make-up exam at the end of the semester regardless of the exam you miss. An unexcused absence for a missed exam will result in a zero for that exam.

2. The average of quizzes, announced and unannounced, and assignments is counted 10% of your final grade. No make-up quiz is given. No late assignment is accepted. I will drop the lowest quiz; therefore, if you only miss one quiz then the missed quiz will be dropped. If you miss more than one with a legitimate reason, the exam that follows the missed quizzes will replace your missed quiz grades. If the total grade of the quiz is 10 points, then 10% of the following exam will be your quiz grade. End of chapter problems are assigned for practice purpose and are designed to help you familiarize
with material through practice; therefore, it is extremely important that you should study the materials first and then work on assignments to see how well you understand. Your effort will eventually be reflected on your test grades. Although homework is not collected but the answers of all homework assignments will be posted or discussed in class. Pop quizzes will be given to ensure the understanding of materials and the completeness of homework problems.

3. Portfolio assignment is counted 10% of your final grade. A group of four students, depending on the course enrollment, are required to form a team to participate in the portfolio assignment (game). Each team will manage four investment accounts depending on the number of students in each team. The detail assignment will be handed out the second week of the semester.

4. Your final grade for this class is assigned according to the following formula:

\[
\frac{\text{Sum of Exam points}}{\text{Total Available points of Exams}} \times 80 + \frac{\text{Sum of Quiz and Assignment points}}{\text{Total Available points of Quizzes & Assignment}} \times 10 \\
\frac{\text{Portfolio points}}{\text{Total Available points of Portfolio Assignment}} \times 10 + \text{AttnBonus}
\]

Grading Scale: A = 90-100  
B+ = 87-89.99  
B = 80-86.99  
C+ = 77-79.99  
C = 70-76.99  
D+ = 67-69.99  
D = 60-66.99  
F = below 60

X. Academic Misconduct

Review the Student Rights and Responsibilities section of USI’s 2007-2009 Bulletin (see pages 299-300) and the University Handbook that define and explain academic misconduct and disciplinary action. The policies cover a variety of forms, including cheating, fabrication, and plagiarism. If you are found guilty of academic misconduct in this class, you will receive a grade of “F,” and you may be dismissed from your degree program and possibly from the University. Regarding this online course, participation in group discussions is necessary, but any irrelevant discussion or chat will not be permitted.

XI. USI Library Resources:

a. Visit [http://www.usi.edu/library/distance-learning-services](http://www.usi.edu/library/distance-learning-services) to learn the resources and services the Rice Library provides to students involved in distance education.


- Click **Databases** to access Rice Library’s 60+ Databases. You can then click on selected database and follow login instructions. All databases are accessible on campus or off campus unless otherwise stated.
- Click **Research Guides** to explore the LibGuides. You will find “esearch assistance, subject guides, and useful resources compiled by your friendly librarians.”
• Click **Distance Learning Services** to access contact information of Distance Learning Librarian and Distance Learning website.

c. Visit [http://www.usi.edu/library/databases](http://www.usi.edu/library/databases) to access Value Line Investment Survey Online Access. Value Line provides its view on economy and stock market. It also provides model portfolios for investors with various objectives and a number of economic and stock market statistics. Furthermore, Value Line provides full-page, individual stock reports, including the company's past performance, current status, and outlook, and industry reviews.

d. **The University Library has more than 400 entries under the subject category INVESTMENT and many periodicals.**
   - AAII (American Association of Individual Investors) Journal, from 1990
   - Business Week, from 1956
   - Financial Analysts Journal, from 1970
   - Forbes, from 1967
   - Fortune, from 1949
   - Journal of Business, from 1961
   - Journal of Finance, from 1966
   - Journal of Money, Credit and Banking, from 1990
   - Journal of Portfolio Management, from 1989
   - Money, from 1974

e. **ABI/Inform Global**
   It is a convenient electronic data source to search references. For example, full texts of the articles in [Financial Analysts Journal](http://www.usi.edu/library/databases) and [Journal of Portfolio Management](http://www.usi.edu/library/databases) are available.

f. **COMPUSTAT PC Plus on CD-ROM**
   This electronic database provides approximately 500 items of financial and accounting data of more than 10,000 firms for the recent 20 years and 48 quarters. You may utilize this database for security analysis.

g. **CRSP Data**
   The Center for Research in Security Prices (CRSP®) is a financial research center at the University of Chicago Graduate School of Business. CRSP creates and maintains premier historical US databases for stock (NASDAQ, AMEX, NYSE), indices, bond, and mutual fund securities. These databases are used by leaders in academic and corporate communities for financial, economic, and accounting research.

h. **FISOnline**
   It is an Internet-based suite of information resources that enables in-depth business and financial research. While the basic product includes international data, the annual reports are for domestic companies.

XII. **Academic Skills**: [http://www.usi.edu/university-division/academic-skills](http://www.usi.edu/university-division/academic-skills)
   The mission of Academic Skills is to “enhance student success and the educational process at the University of Southern Indiana.” It offers a wide array of tutoring programs, such as math, study skills, and writing, for students at the USI. All tutors are certified by the College Reading and Learning Association. Academic Skills is located in Education Center, Room 1111, and phone number is (812) 464-1743. The Writer’s Room is located in Education
Center Room 1102. An appointment with a writing consultant is available by calling 812-461-5359.

XIII. Americans with Disabilities Act Compliance

“If you have a disability for which you may require academic accommodations for this class, please register with Disability Resources (DR) as soon as possible. Students who have or who receive an accommodation letter from DR are encouraged to meet privately with course faculty to discuss the provisions of those accommodations as early in the semester as possible. To qualify for accommodation assistance, students must first register to use the disability resources in DR, Orr Center Rm. 095, 812-464-1961 http://www.usi.edu/disabilities. To help ensure that accommodations will be available when needed, students are encouraged to meet with course faculty at least 7 days prior to the actual need for the accommodation.”

XIV. Career Advising

Students, especially upper level class students, are encouraged to see their advisors for career advising information. This is especially important to keep on-track in meeting your graduation objectives. Career advising is available through your academic advisor or other professors in your major. Please take advantage of this opportunity to have your questions answered or to discuss the career paths open to graduates with your advisors or professors in your major.

The instructor reserves the right to change the syllabus based on course needs. When such changes are made, students will be informed in class.
# Tentative Schedule for Finance 433.001 TRs 3 - 4:15 p.m. Spring 2015

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
</tr>
</thead>
</table>
| 1    | Jan. 13, 15 | Course Syllabus  
Chapter 1: A Brief History of Risk & Return  
Introduction to Portfolio Assignment |
| 2    | Jan. 20, 22 | Chapter 6: Common Stock Valuation  
Chapter 5: Order Types |
| 3    | Jan. 27, 29 | Chapter 2: Buying and Selling Securities |
| 4    | Feb. 3, 5  | Chapter 2: Buying and Selling Securities |
| 5    | Feb. 10, 12 | Chapter 4: Mutual Funds |
| 6    | Feb. 17   | Chapter 4: Hedge Funds, ETFs |

6  *Feb. 19 (Thursday) Exam #1*

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Feb. 24, 26</td>
<td>Chapter 14: Futures</td>
</tr>
<tr>
<td>8</td>
<td>March 3, 5</td>
<td>Chapter 14: Futures</td>
</tr>
<tr>
<td>9</td>
<td>March 9-14</td>
<td><em>Spring Recess, No Class</em></td>
</tr>
<tr>
<td>10</td>
<td>March 17, 19</td>
<td>Chapter 15 Part I: Stock Options, Sections 15.1-15.3, 15.6</td>
</tr>
<tr>
<td>11</td>
<td>March 24</td>
<td><em>Assessment Day, No class</em></td>
</tr>
<tr>
<td>11</td>
<td>March 26</td>
<td>Chapter 15 Part I: Stock Options, Sections 15.1-15.3, 15.6</td>
</tr>
</tbody>
</table>

12  *March 31 (Tuesday) Exam #2*

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>April 2</td>
<td>Chapter 15 Part II: Stock Options, Sections 15.4-15.5, 15.7-15.8</td>
</tr>
<tr>
<td>13</td>
<td>April 7, 9</td>
<td>Chapter 15 Part II: Stock Options, Sections 15.4-15.5, 15.7-15.8</td>
</tr>
<tr>
<td>14</td>
<td>April 14, 16</td>
<td>Chapter 11: Diversification and Risky Asset Allocation</td>
</tr>
<tr>
<td>15</td>
<td>April 21, 23</td>
<td>Chapter 11: Diversification and Risky Asset Allocation</td>
</tr>
<tr>
<td>16</td>
<td>April 28</td>
<td>Chapter 13: Performance Evaluation Measures: Sharpe ratio, Treynor ratio, and Jensen’s Alpha.</td>
</tr>
</tbody>
</table>

17  *May 5 (Tuesday), 3 - 5 p.m. Final Exam*

**Other Dates to Remember:**

- **Jan. 19 (Monday):** Martin Luther King Day, No Class  
- **March 9-14 (Monday-Saturday):** Spring Recess, No Class  
- **March 20 (Friday):** Last day to drop/withdraw without evaluation  
- **March 24 (Tuesday):** Spring Assessment Day, No Class  
- **April 3 (Friday):** University Closed – No class  
- **April 6-17 (Monday-Friday):** Priority registration for fall  
- **April 29 (Wednesday):** University closed – No Class  
- **April 29 (Wednesday):** Schedule revision and withdrawal from the semester period ends  
- **April 30 – May 6 (Thursday-Wednesday):** Final Exam Week  
- **May 1-2 (Friday and Saturday):** Commencement Weekend