I. **Class Meeting:**
   1:30 - 2:45 p.m. on TRs in BE1004.

II. **Instructor Information**
   - Instructor: Dr. Manfen Chen
   - Office: BE3003
   - Telephone: 461-5333
   - Email: mwchen@usi.edu
   - Office Hours: 9:30–10:30 a.m. & noon–1:30 p.m. on Tuesdays & Thursdays
     Other hours: by appointments.

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.

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<thead>
<tr>
<th>Critical Thinking Trait</th>
<th>Critical Thinking Rubric Evaluation for the Written Report of Portfolio Simulation</th>
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</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:

- Perfect attendance: 2 points (2%)
- One missed class: 1 point (1%)
- Two or more missed classes: 0 points (0%)

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 70% of your final grade.

<table>
<thead>
<tr>
<th>Exam I</th>
<th>Tentative Date: Feb. 18 (Thursday)</th>
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<tbody>
<tr>
<td>Exam II</td>
<td>Tentative Date: March 24 (Thursday)</td>
</tr>
<tr>
<td>Final Exam</td>
<td>April 28 (Thursday)</td>
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</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. A fundamental analysis report is counted 10% of your final grade. A group of four to five students, depending on the course enrollment, are required to form a team to conduct a fundamental analysis on a company assigned/chosen by the team. Students apply the fundamental analysis models learned in Chapter 6 to predict the company’s stock price. Based on the team’s analysis, students then form an investment strategy on that stock. The details of this assignment will be given during the first two weeks of the semester.
4. An individual portfolio report is counted 10% of your final grade. Each student is required to participate in a portfolio simulation game and submit a portfolio report. Each student is required to actively manage his/her investment account and to trade different financial instruments such as stocks, options, futures, mutual funds, and etc. The details of this assignment will be handed out the second week of the semester.

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

\[
\text{Grading Scale: A } = 90-100 \\
B+ = 87-89.99 \\
C+ = 77-79.99 \\
D+ = 67-69.99 \\
F = \text{below 60}
\]

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 to learn the resources and services the Rice Library provides to students involved in distance education.

b. Visit USI Library at http://www.usi.edu/library/
   - 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 “research 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 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 and Journal of Portfolio Management are available.

f. COMPSTAT 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

   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, Science Center Rm. 2206, 812-464-1961http://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 1:30 - 2:45 p.m, Spring 2016

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<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
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<tbody>
<tr>
<td>1</td>
<td>Jan. 12, 14</td>
<td>Course Syllabus&lt;br&gt;Chapter 1: A Brief History of Risk &amp; Return&lt;br&gt;Introduction to Portfolio Assignment</td>
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<tr>
<td>2</td>
<td>Jan. 19, 21</td>
<td>Chapter 6: Common Stock Valuation</td>
</tr>
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<td>3</td>
<td>Jan. 26, 28</td>
<td>Chapter 5: Order Types&lt;br&gt;Chapter 2: Buying and Selling Securities</td>
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<td>4</td>
<td>Feb. 2, 4</td>
<td>Chapter 2: Buying and Selling Securities</td>
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<td>5</td>
<td>Feb. 9, 11</td>
<td>Chapter 4: Mutual Funds</td>
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<tr>
<td>6</td>
<td>Feb. 16</td>
<td>Chapter 4: Mutual Funds</td>
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<tr>
<td>6</td>
<td><strong>Feb. 18 (Thursday) Exam #1</strong></td>
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<tr>
<td>7</td>
<td>Feb. 23, 25</td>
<td>Chapter 14: Futures&lt;br&gt;Chapter 15 Part I: Stock Options, Sections 15.1-15.3, 15.6</td>
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<td>8</td>
<td>March 1, 3</td>
<td>Chapter 14: Futures&lt;br&gt;Chapter 15 Part I: Stock Options, Sections 15.1-15.3, 15.6</td>
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<td>9</td>
<td><strong>March 7-12 Spring Recess, No Class</strong></td>
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<tr>
<td>10</td>
<td>March 15, 17</td>
<td>Chapter 15 Part I: Stock Options, Sections 15.1-15.3, 15.6</td>
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<tr>
<td>11</td>
<td>March 22</td>
<td>Chapter 15 Part I: Stock Options, Sections 15.1-15.3, 15.6</td>
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<tr>
<td>11</td>
<td><strong>March 24(Thursday) Exam #2</strong></td>
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<td>12</td>
<td><strong>March 29 Assessment Day, No class</strong></td>
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<tr>
<td>12</td>
<td>March 31</td>
<td>Chapter 15 Part II: Stock Options, Sections 15.4-15.5, 15.7-15.8</td>
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<tr>
<td>13</td>
<td>April 5, 7</td>
<td>Chapter 15 Part II: Stock Options, Sections 15.4-15.5, 15.7-15.8</td>
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<tr>
<td>14</td>
<td>April 12, 14</td>
<td>Chapter 11: Diversification and Risky Asset Allocation</td>
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<tr>
<td>15</td>
<td>April 19, 21</td>
<td>Chapter 11: Diversification and Risky Asset Allocation</td>
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<tr>
<td>16</td>
<td>April 26</td>
<td>Portfolio Performance Discussions</td>
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<tr>
<td>16</td>
<td><strong>April 28 (Thursday), 1:30 – 3-30 p.m. Final Exam</strong></td>
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Other Dates to Remember:

* Jan. 18 (Monday): Martin Luther King Day, No Class
* March 7-12 (Monday-Saturday): Spring Recess, No Class
* March 18 (Friday): Last day to drop/withdraw without evaluation
* March 25 (Friday): No classes; University closed
* March 29 (Tuesday): Spring Assessment Day, No Class
* April 4-15 (Monday-Friday): Priority registration for fall
* April 27 (Wednesday): University closed – No Class
* April 27 (Wednesday): Schedule revision and withdrawal from the semester period ends
* April 28 – May 4 (Thursday-Wednesday): Final Exam Week
* April 29-30 (Friday and Saturday): Commencement Weekend