Finance 433.002  
Principles of Investments (3 Credits)  
Fall 2019

I. Class Meeting: 6:00 p.m. – 8:45 p.m., Monday nights in BE1004

II. Instructor Information

<table>
<thead>
<tr>
<th>Instructor:</th>
<th>Dr. Manfen Chen</th>
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<tbody>
<tr>
<td>Office:</td>
<td>BE2057</td>
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<tr>
<td>Telephone:</td>
<td>461-5333</td>
</tr>
<tr>
<td>Email:</td>
<td><a href="mailto:mwchen@usi.edu">mwchen@usi.edu</a></td>
</tr>
</tbody>
</table>

Office Hours: 1 – 3:30 p.m., TR  
Other hours: by appointments.

III. Course Requirements:


2. Daily reading of the Wall Street Journal is recommended. Students are also urged to read the daily financial news offered by various websites.

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. BA II PLUS (or BA II PLUS™ PROFESSIONAL) from Texas Instruments and HP 10B are two options. Instructions for using BAII PLUS are posted on Blackboard. Click on Handout for Calculator on the left panel of the course website to get a copy of the handout. If you have already had an HP 10B or a scientific calculator such as TI84, you can visit the following website to get tutorials:  

IV. Course Information

Course Description: The essential qualities of good investments, the exchanges, and methods of trading stocks and bonds.

Prerequisites: FIN305. It is the responsibility of students to ensure 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.

Credit Hours: 3 Hours
V. **Course Learning Outcomes:** Upon completion of this course, students should be able to:

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. Perform the valuation of financial securities (stocks and bonds) and make investment decisions.
4. Apply basic options strategies.
5. Demonstrate how covariance and correlation affect the power of diversification to reduce portfolio risk.
6. Describe the risk-return tradeoff in portfolio management.
7. Construct efficient portfolios and complete portfolios.
8. Articulate the differences between hedging and speculating in futures markets.
9. Perform marking to market in determining the value of a futures position.

VI. **COB Skill Development:** In addition to providing students an introduction to the principles of investments, this course will help students to develop skills of analytical problem solving and critical thinking.

VII. **Program Learning Outcomes:** The Finance Program has the following set of learning outcomes related to the content area. The table below shows how these program learning objectives are mapped to this course learning outcomes:

<table>
<thead>
<tr>
<th>Finance Program Learning Outcomes</th>
<th>FIN 433 Course Objectives</th>
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<tbody>
<tr>
<td>Time Value of Money</td>
<td>1, 3</td>
</tr>
<tr>
<td>Financial Analysis</td>
<td>3</td>
</tr>
<tr>
<td>Capital Budgeting</td>
<td>n/a</td>
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<tr>
<td>Financial Leverage and Capital Structure Management</td>
<td>n/a</td>
</tr>
<tr>
<td>Cost of Capital Estimation</td>
<td>n/a</td>
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<tr>
<td>Asset Valuation</td>
<td>1, 2, 3</td>
</tr>
<tr>
<td>Financial Markets and Institutions</td>
<td>n/a</td>
</tr>
<tr>
<td>Financial Derivatives</td>
<td>4, 8, 9</td>
</tr>
<tr>
<td>International Financial Management</td>
<td>n/a</td>
</tr>
<tr>
<td>Risk-Return Trade-off and Risk Management</td>
<td>5, 6, 7</td>
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</tbody>
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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 four noncumulative exams. Although none of the exams is deliberately cumulative, concepts developed in earlier chapters will necessarily be employed in later chapters. The average of exams will count for 70% of your final grade.

<table>
<thead>
<tr>
<th>Exam</th>
<th>Tentative Date</th>
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<tbody>
<tr>
<td>Exam #1</td>
<td>Sept. 16</td>
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<tr>
<td>Exam #2</td>
<td>Oct. 21</td>
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<tr>
<td>Exam #3</td>
<td>Nov. 11</td>
</tr>
<tr>
<td>Final</td>
<td>Dec. 9</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. End of chapter problems are assigned for practice purposes and are designed to help you familiarize with material through practice; therefore, it is extremely important that you 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, the answers of all homework assignments are posted.

3. The average of quizzes (announced and unannounced) and assignments is counted 15% 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.

4. An individual portfolio report is counted 15% 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, mutual funds, and etc. The details of this assignment will be handed out the first week of the semester.

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

\[
\frac{\text{Sum of Exam points} \times 70}{\text{Total Available points of Exams}} + \frac{\text{Sum of Quiz and Assignment points} \times 15}{\text{Total Available points of Quizzes & Assignments}} + \frac{\text{Individual Portfolio Report} \times 15}{\text{Total Available points of the report}}
\]

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 Code of Student Behavior published in the annual web-based Student Handbook on the Dean of Students website (http://usi.edu/deanofstudents/code) that defines and explains 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 encouraged, but any irrelevant discussion or chat will not be permitted. Follow the link to get an electronic copy of the Code of Student Behavior: http://www.usi.edu/media/5599064/d16-117185-student-planner-pages-updated-9-2016.pdf

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](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
   - *Forbes*, from 1967
   - *Fortune*, from 1949
   - *Journal of Business*, from 1961
   - *Journal of Finance*, from 1966
   - *Journal of Money, Credit and Banking*, from 1990
   - *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. **COMPUSSTAT 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:**
The University Division provides tutoring services through Academic Skills located in Education Center, Room 1111, and phone number is (812) 464-1743. More details are provided at the following link: [http://www.usi.edu/university-division/academic-skills/tutoring/](http://www.usi.edu/university-division/academic-skills/tutoring/)
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 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, 812-464-1961, 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. However, if you will be in an internship, field, clinical, student teaching, or other off-campus setting this semester please note that approved academic accommodations may not apply. Please contact Disability Resources as soon as possible to discuss accommodations needed for access while in this setting.

XIV. Title IX Policy
USI does not tolerate acts of sexual misconduct, including sexual harassment and all forms of sexual violence. If you have experienced sexual misconduct, or know someone who has, the University can help. It is important to know that federal regulations and University policy require faculty to promptly report incidences of potential sexual misconduct known to them to the Title IX Coordinator to ensure that appropriate measures are taken and resources are made available. The University will work with you to protect your privacy by sharing information with only those who need to know to ensure we can respond and assist. If you are seeking help and would like to speak to someone confidentially, you can make an appointment with a counselor in the University Counseling Center. Find more information about sexual violence, including campus and community resources at www.usi.edu/stopsexualassault.

XV. 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.

The instructor reserves the right to change the syllabus based on course needs. When such changes are made, students will be informed in class.
## Schedule for Finance 433.002, Fall 2019

<table>
<thead>
<tr>
<th>Week</th>
<th>Starting Date</th>
<th>Topic</th>
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| 1    | 8/19          | Course Syllabus, Introduction to Portfolio Assignment  
Chapter 1: A Brief History of Risk & Return ($ and % returns, Annualized returns, historical returns and risks, Arithmetic, Geometric, and Dollar-weighted Average Returns) |
| 2    | 8/26          | Chapter 6: Common Stock Valuation (Dividend Discount Models, Residual Income Model, and Price Ratio Models) |
| 3    | 9/2           | Labor Day – No Class |
| 4    | 9/9           | Chapter 6: Common Stock Valuation (Dividend Discount Models, Residual Income Model, and Price Ratio Models)  
Chapter 6: Common Stock Valuation (Proctor and Gamble Company Analysis) |
| 5    | 9/16          | Portfolio Assignment, StockTrak, Value Line Investment Survey  
Sept. 16 (Monday) Exam #1 (Chapter 1, 6) |
| 6    | 9/23          | Chapter 5: Order Types – Market Orders, Limit Orders and Stop Orders  
Chapter 2: Investing Overview, Purchase on Margin |
| 7    | 9/30          | Chapter 2: Investing Overview/Short Sale |
| 8    | 10/7-10/8     | Fall Break – No Class |
| 9    | 10/14         | Chapter 2: Investing Overview/Short Sale  
Chapter 4: Mutual Funds – Open-end vs Close-end, NAV, Fee Structures, Hedge funds, ETFs |
| 10   | 10/21         | Chapter 15 Part I: Stock Options, Sections 15.1-15.3, 15.6  
Oct. 21 (Monday) Exam #2 Written Part (Chapter 2 and 5)  
Date TBA Exam #2 Take-home Part (Chapter 4) |
| 11   | 10/28         | Chapter 15 Part I: Stock Options, Sections 15.1-15.3, 15.6  
Option Basics, Call and Put Options |
| 12   | 11/4          | Chapter 15 Part II: Stock Options, Sections 15.4-15.5, 15.7-15.8  
Option Moneyness, Protective Put, Long Straddle & Short Straddle |
| 13   | 11/11         | Chapter 11: E(R) and STD for a Single Security  
Nov. 11 (Monday) Exam #3 (Chapter 15 Part I & Part II) |
| 14   | 11/18         | Chapter 11: E(R) and STD for a Single Security and for a Portfolio, How Diversification Work, Investment Opportunity Set. |
| 16   | 12/2          | Chapter 11: Diversification and Risky Asset Allocation – Complete Portfolio  
Portfolio Performance Discussions |
| 17   | Nov. 28       | Dec. 9 (Monday) Final Exam (Chapter 11)  
Dec. 4 (Wednesday): Schedule revisions/withdrawals end  
Dec. 5-11 (Thursday-Wednesday) Final Exam Week  
Dec. 7 (Saturday): Commencement |

**Other Dates to Remember:**
- Sept. 2 (Monday): Labor Day – No classes
- Sept. 10 (Tuesday): Assessment Day – No classes
- Oct. 7-8 (Monday-Tuesday): Fall break – No classes
- Oct. 18 (Friday): Last Day to drop/withdraw without evaluation
- Nov. 4-15 (Monday-Tuesday): Priority registration period for spring and summer 2020
- Nov. 27 – Dec. 1 (Wed.-Sunday): Thanksgiving break – No classes
- Dec. 4 (Wednesday): No classes (study day)
- Dec. 4 (Wednesday): Schedule revisions/withdrawals end
- Dec. 5-11 (Thursday-Wednesday) Final Exam Week
- Dec. 7 (Saturday): Commencement