

Syllabus for
FIN 418—Investments
3.0 Credit Hours
Fall 2017

I. COURSE DESCRIPTION

Designed to serve investors who are or will be actively developing and monitoring their own investment portfolios. Includes techniques, vehicles, and strategies for implementing investment goals in a portfolio context and in light of risk-return trade-offs. Includes an overview of personal finance and investments and specific investment topics such as common stocks, mutual funds, commodities, and real estate. Emphasizes using Value Line Investment Survey to evaluate common stocks and Morningstar's Mutual Fund Value to evaluate mutual funds.

Prerequisite: Junior or senior undergraduate students.

II. COURSE GOALS

This course goes beyond the textbook instruction of just investment theory. Students are expected to read and understand the text material as the foundation for class lectures. Class lectures are oriented to applying this knowledge to investing one's own capital. Articles, handouts, and videos are used to supplement class material.

- A. In line with the purpose of this University, this course seeks to do the following:
1. Contribute to the education of the whole person.
 2. Encourage each student to place faith in Jesus Christ at the center of his or her life.
 3. Encourage the synthesis and integration of the common bond of knowledge provided by the university into a unified whole.
 4. Sharpen the communication, computation, and critical analysis skills of each student.
 5. Develop appreciation for differing cultures.
 6. Increase the student's recognition of God's order, diversity, and creativity and their consequences in the social and historical sciences.
 7. Demonstrate that knowledge and experience are related, not separated.
 8. Reveal God's purpose and glory as evident in this course of study.
 9. Assist the student's development of basic skills, acquiring of basic knowledge, and formulation of a world vision.
 10. Advocate the examination of this field of knowledge in the context of its influence upon and its being influenced by others.
- B. In line with the purpose of the business administration program, this course is designed to prepare a student for an active role in the general area of business administration.
- C. In line with the purpose of the finance major, this course is designed to prepare a student for an active role in investments. This course combines the broad foundation of finance and business in general with specific investment knowledge so that the student has the potential of maximum achievement in the field of investments. All objectives of this course focus on the interpretation and implementation of investment decisions. This course is designed to be a part of an overall program to develop an integrated person—spiritually alive, intellectually alert, and physically disciplined.

- D. In line with the departmental objectives, this course seeks to prepare the student in the following areas:
1. Critical thinking (skills in reasoning, objectivity, analysis, interpretation, research, or decision making relevant to the discipline).
 2. Broad, comprehensive, foundational knowledge for the professional standards of the intended major.
 3. Broad interpretation of the dynamics of business within the social and professional context.
 4. Internalization of Christian business ethics and professionalism.

III. STUDENT LEARNING OUTCOMES FOR THIS COURSE

As a result of successfully completing this course, the student will be able to do the following:

- A. Richest Man in Babylon—Clason book
1. List the seven cures to a lean purse.
 2. Explain how to lead any honorable person out of debt and into means and self-respect.
 3. Explain why youth often borrow unwisely.
 4. Apply Biblical scriptures to tenets outlined in Clason's book.
- B. A Brief History of Risk and Return
1. Explain dollar returns and percentage returns.
 2. Explain return variability and calculating variance and standard deviation.
 3. Explain the risk-return trade off.
- C. Buying Selling Securities
1. Explain brokerage accounts and choosing a broker.
 2. Explain short sales.
 3. List investor objectives, constraints, and strategies.
- D. Security Types
1. Explain classifying securities.
 2. Explain equity securities.
 3. Explain derivative securities.
- E. Mutual Funds
1. Explain investment companies and types of funds.
 2. Explain mutual fund organization, creation, costs, and fees.
 3. Explain short-term funds, long-term funds, and fund performance.
- F. Stock Market
1. Explain the primary stock market.
 2. Explain the secondary stock market.
 3. Explain the stock indexes, including the Dow Jones Industrial Average (DJIA) and the Standard and Poor's 500 index (S&P 500).
- G. Common Stock Valuation
1. Explain the basic dividend discount model (DDM) and several of its variants.
 2. Explain price ratio analysis.

- H. Stock Price Behavior and Market Efficiency
 - 1. Explain forms of market efficiency.
 - 2. Explain bubbles and crashes.
- I. Behavioral Finance and the Psychology of Investing
 - 1. Introduction to behavioral finance.
 - 2. Explain technical analysis
- J. Interest Rates
 - 1. Explain the interest rate history.
 - 2. Explain rates and yields on fixed-income securities.
- K. Bond Prices and Yields
 - 1. Explain straight bond prices and yield to maturity (YTM).
 - 2. Explain duration.
- L. Diversification and Risky Asset Allocation
 - 1. Explain the expected returns and variances.
 - 2. Explain portfolios and the effect of diversification on portfolio risk.
 - 3. Explain the importance of asset allocation.
- M. Return, Risk, and the Security Market Line
 - 1. Explain diversification, systematic and unsystematic risk.
 - 2. Measuring systematic risk with beta.
- N. Performance Evaluation and Risk Management
 - 1. Performance evaluation measures.
 - 2. Importance of benchmark selection.
- O. Futures Contracts
 - 1. Explain the basics of futures contracts and using them to hedge price risk.
 - 2. Explain hedging interest rate risk with futures.
- P. Stock Options
 - 1. Explain option basics and option quotes.
 - 2. Explain option payoffs and profits.
 - 3. Explain option strategies.
- Q. Option Valuation
 - 1. Explain the Black-Scholes-Merton option pricing model.
 - 2. Hedging stock with stock options.
- R. Projecting Cash Flow and Earnings
 - 1. Explain the basics of financial statements.
 - 2. Explain financial statement forecasting.
- S. Corporate Bonds
 - 1. Describe corporate bond basics
 - 2. Explain the types of corporate bonds
- T. Government Bonds

1. Explain government bond basics, emphasizing U.S. government debt.
 2. Explain municipal bonds and their credit ratings.
- U. Mortgage-Backed Securities
1. Explain fixed-rate mortgages and prepayment.
 2. Collateralized mortgage obligations (CMOs)

IV. TEXTBOOKS AND OTHER LEARNING RESOURCES

A. Required Books

Jordan, Bradford D., Thomas W. Miller, and Steven D. Dolvin. Fundamentals of Investments, (6th Ed.). McGraw-Hill Irwin, 2012. ISBN: 978-0073530710

Clason, Richard, The Richest Man in Babylon: The Success Secrets of the Ancients, Penguin Putnam, 2002. ISBN: 978-0451205360

Graham, Benjamin, The Intelligent Investor, HarperBusiness, 2005. ISBN: 978-0060752613

Malkiel, Burton, A Random Walk Down Wall Street, W. W. Norton & Company, 2007. ISBN: 978-0393330335

MacKay, Charles, Extraordinary Popular Delusions and the Madness of Crowds, CreateSpace Independent Publishing Platform, 2010. ISBN: 978-1453690291

Fisher, Philip A., Common Stocks and Uncommon Profits and Other Writings, Wiley, 2003. ISBN: 978-0471445500

Graham, Benjamin, and David Dodd, Security Analysis, McGraw-Hill, 2004. ISBN: 978-0071448208

Bernstein, William, The Intelligent Asset Allocator: How to Build Your Portfolio to Maximize Returns and Minimize Risk, McGraw-Hill, 2000. ISBN: 978-0071362368

Swenson, David S., Pioneering Portfolio Management: An Unconventional Approach to Institutional Investment, Free Press, 2009. ISBN: 978-1416544692

B. Other Required Materials

Texas Instruments TI-83 plus (preferred) or BAII Plus Financial Calculator. The instructor will use and instruct from the TI-83 plus. If the student uses something else, the instructor will attempt to help the student outside of class, but the instructor will not interrupt the flow of class for other calculators.

V. POLICIES AND PROCEDURES

A. University Policies and Procedures

1. Attendance at each class or laboratory is mandatory at Oral Roberts University. Excessive absences can reduce a student's grade or deny credit for the course.
2. Students taking a late exam because of an unauthorized absence are charged a late exam fee.
3. Students and faculty at Oral Roberts University must adhere to all laws addressing the ethical use of others' materials, whether it is in the form of print,

electronic, video, multimedia, or computer software. Plagiarism and other forms of cheating involve both lying and stealing and are violations of ORU's Honor Code: "I will not cheat or plagiarize; I will do my own academic work and will not inappropriately collaborate with other students on assignments." Plagiarism is usually defined as copying someone else's ideas, words, or sentence structure and submitting them as one's own. Other forms of academic dishonesty include (but are not limited to) the following:

- a. Submitting another's work as one's own or colluding with someone else and submitting that work as though it were his or hers;
 - b. Failing to meet group assignment or project requirements while claiming to have done so;
 - c. Failing to cite sources used in a paper;
 - d. Creating results for experiments, observations, interviews, or projects that were not done;
 - e. Receiving or giving unauthorized help on assignments.
By submitting an assignment in any form, the student gives permission for the assignment to be checked for plagiarism, either by submitting the work for electronic verification or by other means. Penalties for any of the above infractions may result in disciplinary action including failing the assignment or failing the course or expulsion from the University, as determined by department and University guidelines.
4. Final exams cannot be given before their scheduled times. Students need to check the final exam schedule before planning return flights or other events at the end of the semester.
 5. Students are to be in compliance with University, school, and departmental policies regarding Whole Person Assessment requirements. Students should consult the Whole Person Assessment handbooks for requirements regarding general education and the students' majors.
 - a. The penalty for not submitting electronically or for incorrectly submitting an Whole Person Assessment artifact is a zero for that assignment.
 - b. By submitting an assignment, the student gives permission for the assignment to be assessed electronically.

B. Course Policies and Procedures

1. Evaluation Procedures - Course participation is evaluated as follows:

a. Assignments and graded coursework

MEASUREMENT	Percentage
Chapter Quizzes	5%
Quizzes and Miscellaneous Homework	10%
Personal Stock Selections	10%
Stock Analysis Assignment	10%
Mutual Fund Analysis Assignment	10%
Portfolio Selection	10%
Presentation	5%
Examination One	12%
Examination Two	12%
Comprehensive Final	16%
TOTAL	<u>100%</u>

Late work will not be accepted unless the instructor deems the

circumstances to be particularly meritorious and extraordinary. **The instructor reserves the right to alter the weighting, content, or composition of the graded coursework presented in the above table at any time.** Therefore, the above table should be viewed as an approximation presented for guidance, not as a certainty. Trends in the grades earned by individuals throughout the course will also be taken into consideration when individual final grades are reported.

Consistency and improvement throughout the semester are preferred.

Important Note: It is assumed by the instructor that each student will devote approximately 2.0 to 3.0 hours of preparation (reading, studying and problem solving) before attending each class. If you are not spending the requisite time in preparation for the class you will be overwhelmed by the material.

b. English proficiency and organization of assignments

All formal written assignments submitted for grading are expected to conform to proper grammatical and spelling standards. Students should be aware that automated spelling checkers in word processing software are not foolproof. There is no substitute for personally proof-reading a document for errors. In addition, students should be aware that automated checkers do not always suggest the correct grammatical format.

Since all students at Oral Roberts University are considered to be adults, the quality of work will be assessed accordingly. This includes the previously mentioned spelling and grammatical standards, as well as the organization of assignments. Homework assignments may be written by hand, provided that they are legible and neatly organized. Projects must be presented in a clear and concise manner that adheres to the guidelines provided.

c. Missed examinations

Any examination not taken at the scheduled time due to an excused absence must be made up at a time arranged with or by the instructor. Generally, tests missed for an unexcused absence cannot be made up. Any student who anticipates missing an exam due to an excused absence will submit his name and reason for missing the exam to the instructor or to the department's administrative assistant. The notification must be in writing and it must be at least 24 hours in advance of the exam. Those students who are ill on the day of the exam will either notify the instructor or the department's administrative assistant prior to the time of the exam. The instructor may be most easily reached by email, and the department's administrative assistant may be reached by phone at extension 6555. A doctor's written excuse will be expected upon the student's return to the classroom. Failure to comply with the above rules forfeits the right of the student to make up the missed exam.

d. Extra credit assignments

The instructor reserves the right to create extra credit assignments for optional completion by students. This does not guarantee that extra credit opportunities will be available.

e. Oral Roberts University athletes

The official athletics of the University may from time to time interfere with the completion of course work by student athletes. Student athletes are expected to provide detailed schedules of their approved athletic

absences, along with the necessary documentation, at least one week in advance. All missed coursework must be completed according to the timeline established by the instructor. In order to insure that professional and productive communication between student athletes and the instructor occurs, student athletes are expected to inform the instructor of their student athlete status as soon as possible at the beginning of the semester.

f. Plagiarism and cheating

Neither plagiarism nor cheating will be tolerated. The detection of any plagiarism in a submitted assignment, whether the material was plagiarized from another student, website, online article, book, or any other source, forfeits the right of the student to receive a grade other than zero for that assignment. The detection of any cheating forfeits the right of the student to receive a grade other than zero for the assignment, quiz, or examination involved. In cases of plagiarism or cheating the instructor reserves the right to assign a grade other than zero for the assignment, quiz, or examination should he deem such leniency to be appropriate in light of the amount of plagiarism or cheating involved, and also based upon other potentially mitigating factors that may arise. Furthermore, the instructor reserves the right to assign a **failing final grade for the entire course** to any student who has committed any amount of plagiarism or cheating – regardless of the student's performance on any other graded coursework.

Cheating and plagiarizing can take various forms, including, but not limited to, studying a stolen copy of an exam (including any representation of an exam a student was not authorized to have, such as pictures, photocopies, digital images, digital representations, handwritten copies of the questions, unauthorized summaries of test questions and/or answers, etc.), copying another student's answers on a test, copying an assignment completed by another student, claiming another student's work as your own, inappropriately collaborating, and various other forms of cheating and plagiarizing.

g. Additional grading policies

Students should consider that each fifty minute class period is costing them, someone they love, or taxpayers a cumulative amount of approximately \$73. For classes offered on Tuesdays and Thursdays, the cost of a missed class is approximately \$110. Missed classes therefore carry a very high opportunity cost. Furthermore, being five minutes late for class wastes over \$7 paid for that class time. As a result, students are expected to view promptness and professional deportment as integral portions of this course.

2. Attendance Policy

- a. In line with the University policy, attendance is mandatory and is taken at the beginning of class. All students who miss class including those who are administratively excused are expected to obtain class notes and materials and to turn in assignments within a reasonable time period determined by the professor. In business, employees are allowed personal days or sick leave to be absent from the job without penalty. Similarly, students may miss class up to the number of times per week a class meets without penalty (see table below). This allowance is for illness, personal business, and/or emergencies. The professor has the

discretion to excuse any absence beyond those described above.

- b. If a student has excessive *unexcused* absences, a penalty will be assessed as follows:

Number of days the class meets per week	Number of absences <u>not</u> resulting in a penalty	For <u>each additional day</u> the student incurs an unexcused absence beginning with absence number:	The student's total number of points will be reduced by*:
3	3	4	2%
2	2	3	3%
1	1	2	7%

*Based on a 15 week semester and the number of days per week the class meets.

- c. Whether excused or unexcused, excessive absences may negatively impact the student's performance/grade and may cause the student to fail the course.
- d. The professor has the prerogative to assign bonus points (if any) for perfect attendance.

3. Tardies

- a. Tardy is defined as missing *any* portion of class.
- b. Being consistently tardy to class is disruptive to the class and disrespectful to the professor and to fellow class members. This type of behavior is unacceptable in business. Thus, three unexcused tardies will be equal to one unexcused absence.
- c. Depending on the amount of the class missed, makeup work may be required or a student may be marked absent for that class.
- d. To not be counted absent altogether, the student is responsible to inform the professor that he/she was tardy immediately following that class.

4. Grades are likely to be assigned on the following basis:

A = 90% - 100%
B = 80% - 89.999%
C = 70% - 79.999%
D = 60% - 69.999%
F = <60%

The instructor reserves the right to adjust the above scale as necessary to better reflect the attainment of the desired learning objectives. Such adjustments may also be performed on an individual basis at the discretion of the instructor.

VI. COURSE CALENDAR

WEEK	MATERIAL	PRE-ASSIGNMENT (6the)
Week 1	Introduction to Course and Syllabus Review Introductory Material	Read Chapters 1 and 2
Week 2	Overview of Securities <i>Richest Man in Babylon</i>	Read Chapter 3
Week 3	Interest Rates <i>The Intelligent Investor</i>	Read Chapter 9
Week 4	Bond Prices and Yields	Read Chapter 10
Week 5	Bond Prices and Yields <i>A Random Walk Down Wall Street</i>	
Week 6	The Stock Market and Stock Valuation	Read Chapters 5 and 6
Week 7	The Stock Market and Stock Valuation <i>Extraordinary Popular Delusions</i>	
Week 8	Market Efficiency and Behavioral Finance	Read Chapters 7 and 8
Week 9	Market Efficiency and Behavioral Finance <i>Common Stocks and Uncommon Profits</i> Midterm Exam	Chapters 1-3, 5-10; etc.
Week 10	BREAK	
Week 11	Mutual Funds <i>Security Analysis</i>	Read Chapter 4
Week 12	Diversification and Asset Allocation	Read Chapter 11
Week 13	Risk and Return and the SML <i>Intelligent Asset Allocator</i>	Read Chapter 12
Week 14	Evaluating Performance and Managing Risk	Read Chapter 13
Week 15	Futures Thanksgiving Break	Read Chapter 14
Week 16	Options <i>Pioneering Portfolio Management</i>	Read Chapter 15
Week 17	Presentation and Review for Final Exam FINAL EXAM	Chapters 1-15, lectures, homework, projects, books Chapters 1-15, lectures, homework, projects, books

Course Inventory for ORU's Student Learning Outcomes

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This course contributes to the ORU student learning outcomes as indicated below:

Significant Contribution – Addresses the outcome directly and includes targeted assessment.

Moderate Contribution – Address the outcome directly or indirectly and includes some assessment.

Minimal Contribution – Address the outcome indirectly and includes little or no assessment.

No Contribution – Does not address the outcome.

The student Learning glossary at <http://ir.oru.edu/doc/glossary.pdf> defines each outcome and each of the proficiencies/capacities.

OUTCOMES and Proficiencies/Capacities		Significant Contribution	Moderate Contribution	Minimal Contribution	No Contribution
1	Outcome #1 – SPIRITUALLY ALIVE				
	<i>Proficiencies/Capacities</i>				
1A	Biblical knowledge			x	
1B	Sensitivity to the Holy Spirit			x	
1C	Evangelistic capability			x	
1D	Ethical behavior		x		
2	Outcome #2 – INTELLECTUALLY ALERT				
	<i>Proficiencies/Capacities</i>				
2A	Critical thinking	x			
2B	Analytical problem solving	x			
2C	Global and historical perspectives		x		
2D	Aesthetic appreciation				x
2E	Intellectual creativity	x			
2F	Information literacy	x			
3	Outcome #3 – PHYSICALLY DISCIPLINED				
	<i>Proficiencies/Capacities</i>				
3A	Healthy lifestyle				x
3B	Physically active lifestyle				x
3C	Properly balanced nutrition plan				x
4	Outcome #4 – SOCIALLY ADEPT				
	<i>Proficiencies/Capacities</i>				
4A	Communication skills		x		
4B	Interpersonal skills			x	
4C	Appreciation of cultural and linguistic differences				x
4D	Responsible citizenship		x		
4E	Leadership capacity			x	