2012

FINC 365-01 Investments

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Syllabus

Xavier University
Williams College of Business
Dr. R. Brian Balyeat, CFA

Finance 365-01
Investments
Fall 2012

Tuesday/Thursday 11:30am-12:45pm, Smith 251

Course Description and Objectives:

Finance 365 has three main objectives:
1. To provide an overview of essential investment concepts
2. To convey a working knowledge of financial instruments and markets
3. To examine how many financial instruments should be priced in well functioning markets

By the end of the class, students should be able to understand how most of our financial instruments are priced and how the interactions of these instruments affect the average investor. The course focuses on the evaluation, selection, and management of securities and portfolios and includes a study of theory using analytical approaches.

Prerequisites:

Students enrolled in Finance 365 must have completed Finance 300.

Required Material:

The required text is


A copy of the seventh, eighth, or ninth edition will also work.

In addition, a copy of the class notes is available on the class Blackboard. You are required and expected to have downloaded and reviewed the appropriate notes before each class.

Scholastic Dishonesty:

It is the responsibility of students and instructors to help maintain scholastic integrity at the university by refusing to participate in or tolerate any scholastic dishonesty. Xavier is known nationally as a university deep in tradition and integrity. Hence, I will operate under the assumption that scholastic dishonesty does not exist at Xavier. Therefore, any type of suspected misconduct will be investigated fully and violations will not be tolerated, as they will be prosecuted to the fullest extent possible. The first offense will result in a non-droppable zero on the assignment while a second offense will result in an “F” in the course and additional department/college/university action. Thus, students are expected to uphold the Academic Honor Code published in Xavier University Catalog.

"All work submitted for academic evaluation must be the student's own. Certainly, the activities of other scholars will influence all students. However, the direct and unattributed use of another's efforts is prohibited as is the use of any work untruthfully submitted as one's own.

Penalties for violations of this policy may include one or more of the following: A zero for that assignment or test, an "F" in the course, and expulsion from the University." (Xavier University 2006-2008 Catalog, p. 68)
Mission of the Williams College of Business:
We educate students of business, enabling them to improve organizations and society, consistent with the Jesuit tradition.

Teaching Style:
The instructional style will primarily consist of lectures derived from my notes based upon the text. The lectures are designed to be interactive. Classroom participation is expected and is therefore highly encouraged. Please feel free to ask questions, make observations, and share your relevant real world experiences. It is my intention to make the classroom environment rather informal and relaxed.

In addition, I expect you to be able to understand the intuition behind the problems and how the problems are worked. If you are unsure about a topic PLEASE ASK QUESTIONS. If no one is asking questions, I can only assume that everyone understands the material.

Attendance and Classroom Participation:
I expect you to attend class regularly, in accordance with university policy. You are responsible for any material covered, amendments to the syllabus, or announcements made in class, whether you are present or not.

If you miss an exam or fail to turn in homework without a valid, documented excuse, you will receive a grade of zero. The exam dates given elsewhere in this syllabus will not be changed. If you do not take an exam on the scheduled date, then you are responsible for providing satisfactory evidence to the instructor to substantiate the reason for absence within 48 hours of the missed exam. There are seven reasons that absences will be considered excused. These are mandatory participation in a University sponsored event, death or major illness in the student’s immediate family, illness of a dependent family member, mandatory participation in legal proceedings, religious holy days, severe or contagious illness (doctor documentation required), military duties, or mandatory admission interview for graduate or professional school that can not be rescheduled. Please be sure that you have ample satisfactory written evidence demonstrating the reason for your absence. (I apologize in advance if obtaining this evidence because of a family death or major illness is emotionally or physically difficult, but written evidence will still be required). Arrange your job interviews, and any necessary travel, on dates other than those on which we have exams.

Please keep classroom disturbances to a minimum. I will arrive on time for class and I expect you to do the same. I reserve the right to adjust your grade as I see fit for repeated tardiness or other classroom disturbances. In addition, please turn off all cell phones and pagers before you come into class. My rule is simple, if you phone rings during class time and you don’t want to lose points on your final grade, then I get to answer it. Obviously, we can make exceptions for emergency situations; just apprise me of the situation before class begins.

Blackboard Site for the Class:
Each set of lecture notes is available from the (evolving) class Blackboard site. As previously mentioned, you are expected to have downloaded and printed a copy from the Blackboard page. You are also expected to have reviewed the lecture notes before each class period. In addition to this document, the Blackboard site contains each of the homework assignments, your grades to date, sample exam questions, and other relevant course material.

CFA Designation:
Anyone interested in a career in investments or related fields that would like to know more about the CFA designation, please feel free to make an appointment to come by my office to discuss the CFA exam process.
Class Announcements:

Please note that in addition to any announcements made in class, you are responsible for checking the announcements section on the class Blackboard page. However, announcements will seldom be posted in both places. The announcement section on Blackboard is intended to convey important or clarifying information to the class between class sessions. If you are having trouble with a particular homework problem or you think that there might be an error in the assignment, please check the announcement section. You are responsible for any announcements posted before 6 PM the day before an assignment is due.

Homework Assignments:

Due dates are presented in the Schedule of Classes below. Homework is to be done in groups of two or three. You only need to hand in 1 hard copy of the assignment (with all of your names on it). However, I expect that each member of the group will have worked on each assignment. You do not have to work with the same group for each assignment. Usually I will go over the homework on the day that you turn it in. Thus, it will probably be in your best interest to make a copy of you homework and take any necessary notes on that copy, as I do not hand out the answers to any of the problems. In addition, failing to put your name and/or failing to staple the pages of the assignment together will result in a loss of 10 points on the assignment. Each of the assignments can be downloaded from the Blackboard. Please let me know in a timely fashion if you have any difficulty with the download.

To receive maximum or even partial credit for your Problem Sets, you must show all of your work!!! The more work you show, the easier your paper will be to correct in the event of mistakes, and hence the more partial credit you will receive. In addition, please note that many of these problems are quite difficult and will take a while to complete. Even though many of the problems are mathematical in nature, the assignments should be presented as neatly as possible, but they do not have to be typed.

Exercises:

The schedule below presents the days that specific exercises will be worked on in class. Although nothing is to be turned in on these dates, you are expected to read each exercise before the class in which it will be performed. Failure to due the required work could result in a negative adjustment to your final grade. In some cases the exercise will require you to make choices; in others, you will simply be required to familiarize yourself with information or a set of rules. The necessary information for each exercise will be posted on the Blackboard at least a week before it is due.

Grading:

There will be three closed book examinations for the course as outlined below. The first two exams will be during class time and the final exam is during the University examination period as assigned per this class. The first two exams are non-cumulative while the third exam is cumulative. Assignments will only be accepted either on the date that they are due or earlier. Papers will be collected at the start of class and will be deemed late if they are not ready at that time. Assignments via email will not be accepted! Even if you have a documented excused absence, please arrange to have your assignment delivered to me by its due date if at all possible. Please circle all final answers on tests and homeworks and carry out all calculations to at least 4 digits to the right of the decimal. You must use the TI BA IIPlus financial calculator for the exams. This calculator is now required for all finance majors. You may bring one 8.5x11 sheet of paper to each exam with anything hand written on one (and only one) side you wish. However, you are not allowed to cut and paste, Xerox, or use a printer.

When a test or graded assignment is returned to you, you have one week from the date of its returned to bring to my attention any request for grade changes. All regrading requests must be fully explained in writing and must be signed. In addition, the original paper must accompany the request for a regrade. After the one-week deadline has passed, no further grade changes will be made for that particular test or assignment. The purpose of this deadline is not to discourage grade changes, but to
assure that any necessary changes are promptly made and to allow you as the student to have an accurate and current indication of your performance in the class. Please note that in the case of excessive requests for regrades, the instructor reserves the privilege of regrading the entire paper.

The grading will be based upon the traditional 10-point scale with the bottom three percent of the grading range receiving a ‘minus’ and the top three percent receiving a ‘plus’ (where applicable – by University policy a ‘plus’ designation is not available on a grade of ‘A’). Before assigning any letter grades, your grade will be rounded to the nearest integer. Thus, 92.50 is the lowest grade that will receive an unqualified ‘A’, 89.50 is the lowest average that will receive an ‘A-‘, 86.50 is the lowest ‘B+’, 82.50 is the lowest ‘B’, etc. I will drop your lowest homework grade.

Grade Weights:

Your final grade will be determined by the following weights:

- Homework 20%
- Exam 1 20%
- Exam 2 20%
- Project 10%
- Final Exam 30%

Project:

The project is designed for you to have the opportunity to explore some of the topics we cover in class in a more detailed setting using actual economic and firm level data. You will be assigned a firm from the DOW 30. A more detailed description of the project is posted on Blackboard.

The calendar for the report is as follows:

- Aug. 30 Firm selection
- Sept. 13 First Bloomberg Lab Day – meet in the Trading Room (SMH 106)
- Oct. 16 First Bloomberg Lab Day – meet in the Trading Room (SMH 106)
- Nov. 29 Project report due

Please note that for the 24 hour period preceding the due date of the project, I will not answer any questions concerning the project. Thus, please do not wait until the last minute to start this semester long project. I will post the grades on the projects on the class Blackboard by Dec. 10th. You can pick up the graded projects on that date after 1:00 PM from my office door.

Students with Special Needs:

If you have any special needs please inform me either after the first day of class or during my office hours in the first week of class. Please do not assume that I will notice your need for special consideration.
### Schedule of Classes FINC 365:

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Chapter</th>
<th>Topic</th>
<th>Assignment Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aug 21</td>
<td>Chapter 0</td>
<td>Class Introduction</td>
<td>None: First Day</td>
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<tr>
<td></td>
<td>Aug 23</td>
<td>Chapter 1</td>
<td>Investment Setting</td>
<td>Read Ch 1, Exer #1</td>
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<tr>
<td>2</td>
<td>Aug 28</td>
<td>Chapter 2</td>
<td>Asset Allocation Decision</td>
<td>Read Ch 2, HW#1</td>
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<tr>
<td></td>
<td>Aug 30</td>
<td>Chapter 3</td>
<td>Investment Setting</td>
<td>Read Ch 3</td>
</tr>
<tr>
<td>3</td>
<td>Sept 4</td>
<td>Chapters 2&amp;3</td>
<td>Review HW#2</td>
<td>HW# 2, Exer #2</td>
</tr>
<tr>
<td></td>
<td>Sept 6</td>
<td>Chapter 4</td>
<td>Security Markets</td>
<td>Read Ch 4</td>
</tr>
<tr>
<td>4</td>
<td>Sept 11</td>
<td>Chapter 5</td>
<td>Security Market Indicator Series</td>
<td>Read Ch 5, Exer #3</td>
</tr>
<tr>
<td></td>
<td>Sept 13</td>
<td>Trading Room</td>
<td>Meet in the Trading Room SMH 106</td>
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<tr>
<td>5</td>
<td>Sept 18</td>
<td>Chapters 4&amp;5</td>
<td>Review HW#3</td>
<td>HW# 3, Exer #4</td>
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<tr>
<td></td>
<td>Sept 20</td>
<td>Chapter 6</td>
<td>Efficient Capital Markets</td>
<td>Read Ch 6</td>
</tr>
<tr>
<td>6</td>
<td>Sept 25</td>
<td>Chapters 1-6</td>
<td>Review for Test 1</td>
<td>Come with Questions</td>
</tr>
<tr>
<td></td>
<td>Sept 27</td>
<td>Exam 1</td>
<td>Chapters 1 - 6</td>
<td></td>
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<tr>
<td>7</td>
<td>Oct 2</td>
<td>Chapter 7</td>
<td>Portfolio Management</td>
<td>Read Ch 7</td>
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<tr>
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<td>Oct 4</td>
<td>Chapter 7</td>
<td>Portfolio Management</td>
<td>HW#4, Exer #5</td>
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<td>8</td>
<td>Oct 9</td>
<td>Chapter 8</td>
<td>Asset Pricing Models</td>
<td>Read Ch 8</td>
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<tr>
<td></td>
<td>Oct 11</td>
<td>----- Fall Break -----</td>
<td></td>
<td></td>
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<td>9</td>
<td>Oct 16</td>
<td>Trading Room</td>
<td>Meet in the Trading Room SMH 106</td>
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<td></td>
<td>Oct 18</td>
<td>Chapter 8</td>
<td>Review HW#5</td>
<td>HW# 5, Exer #6</td>
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<td>10</td>
<td>Oct 23</td>
<td>Chapter 9</td>
<td>Multifactor Models</td>
<td>Read Ch 9</td>
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<td>Oct 25</td>
<td>Chapter 9</td>
<td>Review HW#6</td>
<td>HW# 6, Exer #7</td>
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<td>11</td>
<td>Oct 30</td>
<td>Chapter 11</td>
<td>Security Evaluation</td>
<td>Read Ch 11</td>
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<td>Nov 1</td>
<td>Chapter 11</td>
<td>Review HW#7</td>
<td>HW# 7, Exer #8</td>
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<tr>
<td>12</td>
<td>Nov 6</td>
<td>Chapters 7-11</td>
<td>Review for Test 2</td>
<td>Come with Questions</td>
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<td></td>
<td>Nov 8</td>
<td>Exam 2</td>
<td>Chapters 7 - 9 and 11</td>
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<tr>
<td>13</td>
<td>Nov 13</td>
<td>Chapter 17</td>
<td>Bond Fundamentals</td>
<td>Read Ch 17</td>
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<td></td>
<td>Nov 15</td>
<td>Chapter 18</td>
<td>Bond Analysis and Valuation</td>
<td>Read Ch 18</td>
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<tr>
<td>14</td>
<td>Nov 20</td>
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<td>Financial Crisis Day</td>
<td>Exer #9, Exer #10</td>
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<td>Nov 22</td>
<td>----- Thanksgiving Break -----</td>
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<td>15</td>
<td>Nov 27</td>
<td>Chapter 18</td>
<td>Review HW#8</td>
<td>HW# 8</td>
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<tr>
<td></td>
<td>Nov 29</td>
<td>Chapter 20</td>
<td>Derivatives</td>
<td>Read Ch 20, Project due</td>
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<tr>
<td>16</td>
<td>Dec 4</td>
<td>Chapter 20</td>
<td>Review HW#9</td>
<td>HW# 9, Exer #11</td>
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<tr>
<td></td>
<td>Dec 6</td>
<td>All Chapters</td>
<td>Review for Final</td>
<td>Come with Questions</td>
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Final Exam: Tuesday, Dec. 11, 10:30 am – 12:20 pm in SMH 251
Class Time: TR 11:30 pm - 12:45 pm in SMH 251
Office Hours: TR 10:45 am – 11:15 am, W 1:15 pm – 2:15 pm, and by appointment

**Contact Information: Dr. R. Brian Balyeat**
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