

2016

## 365-01-02 Investments

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# Syllabus

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

Finance 365-01 and 02  
Investments  
Fall 2016

## 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 with a 'B-' or better.

## Required Material:

The required text is

Reilly and Brown, *Investment Analysis and Portfolio Management*, Tenth Edition, Thomson South-Western, 2012. ISBN 978-0-538-48238-7

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

In addition, a copy of the class notes is available on Canvas. 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 your 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.

## **Canvas Site for the Class:**

Each set of lecture notes is available from the (evolving) class Canvas site. As previously mentioned, you are expected to have downloaded and printed a copy from the Canvas page. You are also expected to have reviewed the lecture notes before each class period. In addition to this document, the Canvas 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 who 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 Canvas page. However, announcements will seldom be posted in both places. The announcement section on Canvas 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 your 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 Canvas. 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 Canvas at least a week before it is due.

## DOW 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 Canvas.

The calendar for the report is as follows:

Aug. 26	Firm selection
Sept. 30	First Bloomberg Lab Day – meet in the Trading Room (SMH 106)
Oct. 21	Second Bloomberg Lab Day – meet in the Trading Room (SMH 106)
Nov. 11	Third Bloomberg Lab Day – meet in the Trading Room (SMH 106)
Nov. 21	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 Canvas by **Nov. 28<sup>th</sup>** and hand them back out that day in class.

## Students with Special Needs:

It is my goal that this class be an accessible and welcoming experience for all students. If you are a student with a disability who may have trouble participating or effectively demonstrating learning in this course, contact me to arrange an appointment to share your Accommodation Letters from Disability Services and to discuss your needs. Disability related information is confidential. If you have not contacted The Office of Disability Service to arrange accommodations, I encourage you to do so by contacting Cassandra Jones, by phone at 513-745-3280, in person on the Fifth Floor of the Conaton Learning Commons, Room 514, or via e-mail at jonesc20@xavier.edu as soon as possible as accommodations are not retroactive.

## **Grading:**

There will be four closed book examinations for the course as outlined below. The first three exams will be during class time and the final exam is during the University examination period as assigned per this class. The first three exams are non-cumulative while the final 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 II Plus 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 return 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. A 59.50 as a 'D' is the lowest possible passing grade.

## **Grade Weights:**

Your final grade will be determined by the following weights:

Homework	15%
Exam I	15%
Exam II	15%
Exam III	15%
Project	10%
Final Exam	30%

## **Office of Student Success:**

The staff in the Office of Student Success is available to assist students to make the most of their Xavier experience. The office provides personal staff consultations, success coaching, referrals to on-campus Solution Centers, and guidance for students to effectively navigate their college experience. To learn more, please visit [www.xavier.edu/student-success](http://www.xavier.edu/student-success), visit the office in 514 Conaton Learning Commons, call 513 745-3036, or email [student\\_retention@xavier.edu](mailto:student_retention@xavier.edu).

**(please see next page for the Schedule of Classes)**

## Schedule of Classes FINC 365:

	<u>Date</u>	<u>Chapter</u>	<u>Topic</u>	<u>Assignment Due</u>
Week 1	Aug. 22		Class Introduction	None: First Day
	Aug. 24	Chapters 0&1	Investment Setting	Read Ch 1
	Aug. 26	Chapter 1	Investment Setting	Read Ch 1
Week 2	Aug. 29	Chapter 1	Investment Setting	HW#1, Exer #1
	Aug. 31	Chapter 2	Asset Allocation Decision	Read Ch 2
	Sept. 2	Chapter 2	Asset Allocation Decision	Read Ch 2
Week 3	<b>Sept. 5</b>		LABOR DAY – NO CLASS	
	Sept. 7	Chapter 3	Investment Setting	Read Ch 3
Week 4	Sept. 9	Chapter 3	Investment Setting	Read Ch 3, Exer #2
	Sept. 12	Chapter 2&3	Review HW#2	HW# 2
	Sept. 14	Chapter 4	Security Markets	Read Ch 4
Week 5	Sept. 16	Chapter 4	Security Markets	Read Ch 4, Exer #3
	Sept. 19	Chapter 5	Security Market Indicator Series	Read Ch 5
	Sept. 21	Chapter 5	Security Market Indicator Series	Read Ch 5
Week 6	Sept. 23	Chapters 4&5	Review HW#3	HW# 3
	Sept. 26	<b>Exam I</b>	Chapters 1 – 5	
	Sept. 28	Chapter 6	Efficient Capital Markets	Read Ch 6
Week 7	Sept. 30		Meet in Trading Room SMH 106	
	Oct. 3	Chapter 6	Efficient Capital Markets	Read Ch 6, Exer #4
	Oct. 5	Chapter 7	Portfolio Management	Read Ch 7
Week 8	<b>Oct. 7</b>		FALL BREAK – NO CLASS	
	Oct. 10	Chapter 7	Portfolio Management	Read Ch 7
	Oct. 12	Chapter 7	Portfolio Management	Exer #5
Week 9	Oct. 14	Chapters 7&8	Review HW#4	HW# 4
	Oct. 17	Chapter 8	Asset Pricing Models	Read Ch 8
	Oct. 19	Chapter 8	Asset Pricing Models	Read Ch 8, Exer #6
Week 10	Oct. 21		Meet in Trading Room SMH 106	
	Oct. 24	Chapter 9	Multifactor Models	Read Ch 9
	Oct. 26	Chapter 9	Exercise #7	Exer #7
Week 11	Oct. 28	Chapters 8& 9	Review HW#5	HW #5
	Oct. 31	<b>Exam II</b>	Chapters 6 – 9	
	Nov. 2	Chapter 11	Security Evaluation	Read Ch 11
Week 12	Nov. 4	Chapter 11	Security Evaluation	Read Ch 11
	Nov. 7	Chapter 11	Review HW#6	HW# 6
	Nov. 9	Chapter 17	Bond Fundamentals	Read Ch 17
Week 13	Nov. 11		Meet in Trading Room SMH 106	
	Nov. 14	Chapter 17	Bond Fundamentals	Read Ch 17
	Nov. 16	Chapter 18	Bond Analysis and Valuation	Read Ch 18
Week 14	Nov. 18	Chapter 18	Bond Analysis and Valuation	Read Ch 18
	Nov. 21	Chapter 18	Savings & Loan Crisis	Exer #8, Project due
	<b>Nov. 23</b>		THANKSGIVING BREAK – NO CLASS	
Week 15	<b>Nov. 25</b>		THANKSGIVING BREAK – NO CLASS	
	Nov. 28	Chapter 20	Derivatives	Read Ch 20
	Nov. 30	Chapter 18	Review HW#7	HW# 7
Week 16	Dec. 2	Chapter 18	Financial Crisis	Exer #9
	Dec. 5	Chapter 20	Review HW#8	HW# 8
	Dec. 7	<b>Exam III</b>	Chapters 11, 17, 18, & 20	
	Dec. 9	Chapter 20	Derivatives	Exer #10

Final Exam: Mon. Dec. 12, 12:00 pm – 1:50 pm in SMH 348 (12:00 section)  
Wed. Dec. 14, 12:00 pm – 1:50 pm in SMH 348 (1:00 section)  
Due to space constrains, you may not switch sections for the final exam or any of the tests.  
Class Time: MWF 12:00 pm – 12:50 pm in SMH 348 (Section 01)  
MWF 1:00 pm – 1:50 pm in SMH 348 (Section 02)  
Please talk to me first before switching sections for an individual class.  
Office Hours: MF 9:30 am – 11:45 am, W 10:00 am –11:45 am, and by appointment

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

**Office:** 230 Smith Hall

**Office Telephone:** 745-3013

**Fax:** 745-4383

**Home Number:** 779-0717 7:00AM - 10:00PM **Emergencies Only**

**Department of Finance Telephone:** 745-3236

**email:** balyeatb@xavier.edu

**Last Edited:** 8/17/16