



WALSH UNIVERSITY

School for Professional Studies

BUS 315 **Investments**

***ASSIGNMENT DUE ON THE FIRST NIGHT
OF CLASS: SEE PAGE 7***

PREREQUISITE: BUS 221

DIVISION OF BUSINESS AND ECONOMICS
BUS 315
Investments

COURSE DESCRIPTION

Nature, mechanism and risks of investment; analysis of securities with emphasis on those of industrial corporations, formulation of investment policies for individuals, institutions and trust funds. Prerequisite: Bus 221.

INTRODUCTION

This course is designed to provide the student with a conceptual and analytical framework for the understanding of the functions and structures of investments. In particular, it addresses the creation and management of securities portfolios, which may contain a variety of investment vehicles. The primary focus centers around investment vehicles and their risk characteristics including common stock, preferred stock, fixed income investments, mutual funds and real estate.

The tone of the course reflects an investment-based philosophy rather than a speculative one. Hunches, gossip, advice from your brother-in-law, and other such “market information,” may at times result in a phenomenal returns with an investor to “making a killing” on the market. Such short term, quick profit decisions will not be the focus of this class. These decisions essentially represent gambling on the market, and they can be made without the benefit of any special techniques or study. This course directs the focus toward long term rather than short-term returns and the approach is precise and deliberate. The analysis does not seek to discover how to “make a killing” on a single security, but rather how to combine securities in such a way that they work in relationship with each other to meet the investor’s required rate of return, risk tolerance and investment goals.

Throughout the course, the facilitator assumes that the decisions regarding security selection are not for our own portfolios but rather for the portfolios of others to whom we have a fiduciary duty. In this way, it will require us to quantify our investment decisions and limit them to those that are reasonable and rational.

Analyses that will be used to make these decisions include computations that can be computed using a financial calculator and/or an Excel spreadsheet.

COURSE OBJECTIVES

Upon completion of this course the student should be able to:

- Contrast and compare the concepts of Investment vs. Speculation.
- Describe and evaluate various types of investment instruments.
- Identify and discuss how to determine the return associated with various investment instruments.

- Identify and discuss how to determine the risk associated with various types of financial instruments.
- Understand and apply the concepts of diversification, duration and immunization to build portfolios that maximize return and minimize risk.
- Use a financial calculator and excel tools to conduct financial analysis and create Excel spreadsheets to track portfolio performance and other related tasks.
- Use the internet as a research tool for exploring investment options, tracking investment performance and locating other information pertinent to the investment decision.

MATERIALS FOR INSTRUCTION

Required: Gitman, Lawrence J. and Michael D. Joehnk (2005). *Fundamentals of Investing* (9th) Addison Wesley, Pearson.

*** Please use the textbook list for the most up to date book edition.**

Calculator: A financial/business calculator is required. The Texas Instrument BAII PLUS is recommended.

NOTES REGARDING ASSIGNMENTS, WORKLOAD AND PRIOR COURSE WORK

This course will meet only once a week over five weeks, for four hours at a time. This highly accelerated pace requires students to take a great deal of responsibility for their own learning outcomes. While in class, students are expected to actively participate in discussions and group activities. Outside of class, students are expected to do a minimum of 15 hours per week of study, homework assignments, and or group projects.

The intent of the assigned text readings is to provide students with analytical and conceptual skills rather than merely mechanical application skills. Therefore, it is not recommended that students give primary emphasis to the formulas presented in the text but instead learn to use the functions on the calculator to perform required computations.

Prior to enrolling in this course, students should have completed Principles of Accounting (BUS 101 and 102), Microcomputer Business Applications (BUS 105) and Introduction to Business Finance (BUS 221). Many concepts used in investment analysis (time value of money and security valuation, for example) are covered in Business Finance. These concepts will be reviewed briefly, but it is expected that the student will bring that knowledge and skill to this class. Due to the accelerated nature of the course, the facilitator will assume that you have a strong degree of comfort with basic financial analytical techniques. You should be comfortable with the following concepts:

- How to read a financial statement (Balance Sheet, Income Statement and Statement of Cash Flows).
- How to calculate the time value of money (Present Value, Future Value, etc.) and other financial measures (Net Present Value, Internal Rate of Return).
- How to perform financial statement analysis using financial ratios.

- Have working knowledge of the use of a financial calculator and/or an electronic Excel spreadsheet program.

REQUIREMENTS

Quizzes

Workshops 2 through 5 will begin with a comprehension quiz based on broad and general concepts from the material covered. These questions should be answerable by simply reading through the assigned material.

Assignments

The learning approach for this class is primarily case-based. Activities for each workshop revolve around cases taken from the assigned text which are representative of the material read. Homework assignments, problems and Excel exercises, are also taken from the text and represent problems which are narrower in scope than the cases discussed in class but provide the student with an opportunity to apply the techniques discussed in the workshop. Successful completion of these assignments represents a major component of the student's grade. Students are encouraged to work in collaboration with other students on homework assignments. By working together students will have an additional opportunity to discuss the concepts addressed in class and to reinforce the "correctness" of their answer.

Portfolio Project

The correctness of investment decisions is a function of both the investment vehicle and the investor. This course requires each student to assume the role of an investment advisor to five distinct clients with differing investment goals. The investment advisor will research and recommend an investment portfolio for each client based on the clients needs. Thus, it is necessary to analyze the needs of the investor as well as the investment vehicles needed to achieve the investors' goals.

The premise of the portfolio project is as follows. The entire class will represent an investment advisory firm known as Omega Point Associates (OPA). OPA makes all its investment decisions for client portfolios by committee but requires each one of its associates to make an individual analysis of each client's situation and to recommend a portfolio for that client. At OPA's regular investment meeting, each associate presents the individual analysis to the rest of the group. Based on the compiled information from all OPA members, an appropriate portfolio is chosen to meet the needs of each client.

Five clients will be the focus of our attention. Client profiles and data sheets are included in this module. Over the course of the first four workshops we will discuss various types of securities and analytical techniques. While doing so, students should keep these five clients in mind. A portion of Workshop Five will represent the investment meeting of OPA with each student presenting recommendations and the group picking the final portfolios for each client.

Students will be graded upon the quality of their individual paper, not on how closely they match the group's portfolio. The quality of the paper will be determined by reviewing how well the student has identified and expressed the client's goals and selected securities which can be quantifiably demonstrated to meet these goals.

Project Format

The individual client report should be word-processed in a clear, concise professional format that would be appropriate to give to the client. At a minimum, the report should contain a statement and description of the investor's goals, a rationale for the selection of investment vehicles, a description of the investment vehicles, a summary of the selected vehicles historical performance and other pertinent information for the client.

The report should be accompanied by a formatted spreadsheet that the client may use to track the investment portfolio with examples showing the client how the spreadsheet can be used to track performance. A printed version of the spreadsheet should be attached to the report and a disk with the formatted spreadsheet and appropriate formulas handed in to the facilitator for grading.

The project will include a short electronic slide show. Each student will prepare a short slide show (8-10 slides) for one of the five clients and present the show to the OPA group.

EVALUATION

Grading Criteria

The grade for the class will be assigned based on performance in the following areas.

Homework	250	43% of Grade	(10 cases @ 20 points each and 5 Excel exercises @ 10 points each)
Portfolio Project	200	38% of Grade	
Quizzes	<u>100</u>	19% of Grade	(4 at 25 points each)
Total	550		

Cases and selected other homework assignments will be collected for grading. While effort is clearly important and tends to be positively correlated with a course grade, the grade will be determined based on the quality of the student's performance as evaluated by the instructor.

Excel Exercises: An exercise using Excel is included at the end of each chapter. Select and prepare five exercises to be turned in and graded.

Final grades are assigned based on the following distribution.

Percentage	Grade
94-100	A
90-93	A-
87-89	B+
84-86	B
80-83	B-
77-79	C+
74-76	C
70-73	C-
67-69	D+
64-66	D
60-63	D-
Below 60	F

POLICIES

Academic Integrity: The School of Professional Studies program subscribes to the academic honesty policy stated in the most recent version of the Walsh University Undergraduate Catalog and The School of Professional Studies program Student Handbook. Plagiarism and other forms of cheating or dishonesty may result in a failing test or course grade or suspension. Misrepresenting someone else's work as yours is considered a violation of those policies and will result in a grade of "F" on the assignment and possibly an "F" in the course. See the Student Handbook for complete information.

Attendance: Attendance is mandatory for all sessions of the course. See the IDEAL program Student Handbook for more information.

Make-up Work: Acceptance of late assignments or make-up of missed assignments or quizzes is at the discretion of the facilitator who will announce the policy at the first workshop.

ASSIGNMENTS TO BE COMPLETED PRIOR TO WORKSHOP ONE

1. Read the course description, course objectives and other background materials covered in this module
2. Read Chapters 1, 2, 3, 4
3. Review text cases 1.1, 2.2, 3.2 and 4.1. Select and prepare two of the assigned cases to be handed in for grading and be prepared to discuss the remaining two cases in class.
4. Prepare a list of questions you might ask these individuals regarding their investment goals.

WORKSHOP ONE

OBJECTIVES

After completion of this workshop, students will be able to:

- Define “investment” and discuss the investment process and the types of investors.
- Understand the steps involved in the process of making investment decisions.
- Discuss the investment cycle and understand the implications of the “long-term” and “short-term.”
- Be familiar with short-term investment vehicles and their risk return characteristics.
- Describe the basic types of securities markets and transactions including the role of investment banks, the reason and techniques for margin transactions and the purpose of securities regulation.
- Discuss global securities and markets and their unique characteristics.
- Understand the role of online investing, discuss its characteristics and describe the types of online and traditional transactions.
- Identify types and of online and traditional sources of investment information including indices and market averages.
- Understand the concept, components and importance of return and risk and be able to compute returns using a financial calculator.
- Understand the implications of the time value of money and compute time values with a financial calculator.

ACTIVITIES

1. Introduction of facilitator and students. The class pairs up in two's. Each person introduces the other to the class, citing three unique things about the person being introduced.
2. Explanation of course requirements, expectations, learning outcomes and methods of evaluation and the assigned project.
3. Selection of a student representative.
4. Presentation and class discussion of Chapters 1, 2, 3 and 4.
5. Class discussion of the following cases:
 - i. Case 1.1, pg. 31 *Investments or Golf?*

- ii. Case 2.2 pg. 73 *Ravi Dumar's High Flying Margin Account*
 - iii. Case 3.2 pg. 127 *Peter and Deborah's Choices of Brokers and Advisors*
 - iv. Case 4.1 pg. 181 *Solomon's Decision*
6. Class discussion of web exercises assigned for Chapters 1-4.
 7. Discuss client profiles.

ASSIGNMENTS TO BE COMPLETED PRIOR TO WORKSHOP TWO

1. Work the following problems:
 - Chapter 2 P2.4, P2.9
 - Chapter 3 P3.3, P3.6
 - Chapter 4 These problems should be completed on a financial calculator:
P4.6, P4.9, P4.16, P4.18, P4.20, P4.25
2. Read Chapters 5, 6, 7, and 8.
3. Review text cases 5.1, 6.1, 7.1 and 8.1. Select and prepare two of the assigned cases to be handed in for grading and be prepared to discuss the remaining two cases in class.
4. Prepare a statement of "financial goals and strategies" for each client for discussion in class. Due Workshop Two.

WORKSHOP TWO

OBJECTIVES

After completion of this workshop, students will be able to:

- Understand portfolio management objectives, the implications of risk and how to calculate the standard measures used to evaluate it.
- Describe and measure risk and apply the Capital Asset Pricing Model.
- Discuss the role common stock investment plays in the economic system.
- Describe the basic features of common stock including, issue characteristics, stock quotations and transaction costs.
- Describe the various types of common stocks, dividend types and discuss how dividend decisions are made.
- Understand the concept of fundamental analysis and discuss its use to access a company's financial position and as a factor in the valuation process
- Differentiate between market value and intrinsic value and apply various methods of stock valuation
- Be familiar with the efficient market hypothesis and its implications.

ACTIVITIES

1. Quiz
2. Review of assigned homework problems for Chapters 1, 2, 3 and 4.
3. Presentation and class discussion of Chapters 5, 6, 7 and 8.
4. Review and discuss "client goals and strategies."

5. Class discussion and review of Excel end of chapter exercises.
6. Discuss the following cases:
 - Case 5:1 pg. 227 *Traditional versus Modern Portfolio Theory: Who's Right?*
 - Case 6:1 pg. 281 *Sara Decides to take the Plunge*
 - Case 7:1 pg. 327 *Some Financial Ratios are Real Eye Openers*
 - Case 8:1 pg. 365 *Chris Looks for a Way to Invest His New Found Wealth*
7. Discuss how common stocks fit with identified client goals and strategies.

ASSIGNMENTS TO BE COMPLETED PRIOR TO WORKSHOP THREE

1. Work the following problems:
 - Chapter 5 P5.1, P5.5, P5.5. (Use the functions on your calculator to compute standard deviations and betas.)
 - Chapter 6 P6.4
 - Chapter 7 P7.1, P7.6.
 - Chapter 8 P8.8, P8.11, P8.13
2. Read Chapters 9, 10 and 11.
3. Review text cases 9.2, 10.1 and 11.1. Select and prepare two of the assigned cases to be handed in for grading and be prepared to discuss the remaining two cases in class.

Assuming a three-year holding period, identify three (3) publicly traded stocks which you consider good buys. Be prepared to support your recommendations in Workshop 4.

WORKSHOP THREE

OBJECTIVES

After completion of this workshop, students will be able to:

- Understand the investment attributes of bonds and describe their essential features.
- Understand and discuss the relationship between bond prices and market interest rates.
- Discuss Bond Ratings.
- Understand and discuss the term structure of interest rates and yields.
- Be able to compute bond yields, prices, duration, preferred stock prices and yields.
- Understand the concept of duration and its use in immunizing bond portfolios.
- Describe the basic features of preferred stock, the rights and claims of preferred stock shareholders, and measurement of preferred stock worth.

ACTIVITIES

1. Quiz
2. Presentation and class discussion of the material in Chapters 9, 10 and 11.
3. Discuss the following cases:
 - Case 9.2, pg 408 Deb Takes Measure of The Market
 - Case 10.2, pg. 455 The Case of the Missing Bond Ratings
 - Case 11:1, pg. 498 The Bond Investment Decisions of Kelley and Erin Coates

4. Class discussion and review of Excel end of chapter exercises.
5. Discuss how fixed income securities fit with identified client goals and strategies.

ASSIGNMENTS TO BE COMPLETED PRIOR TO WORKSHOP FOUR

1. Work the following problems:
Chapter 9: P9.4, P9.5
Chapter 10: P10.2, P10.10
Chapter 11: P11.5, P11.6
2. Read Chapters 12 and 13.
3. Review text cases 12.2 and 13.1. Prepare the assigned cases to be handed in for grading and be prepared to discuss them in class.

WORKSHOP FOUR

OBJECTIVES

After completion of this workshop, students will be able to:

- Understand and discuss the features of mutual funds and the role that mutual funds play in the economy and the investment decisions.
- Understand and explain the terminology associated with mutual funds.
- Be able to discuss the advantages and disadvantages of the different types of mutual funds.
- Be able to calculate measures of mutual fund performance.
- Be familiar with online sources of information pertinent to mutual fund investing.
- Understand and discuss the objectives of portfolio management techniques and calculate the return and risk associated with a portfolio.
- Discuss the concept of diversification and its effects on a portfolio.
- Discuss Portfolio valuation techniques and measures of portfolio performance:
 - a. Sharpe's Measure
 - b. Treynor's Measure
 - c. Jensen's Measure
- Explain the role of limit and stop-loss orders and how they are used.
- Describe the role and logic of dollar-cost averaging.

ACTIVITIES

1. Quiz
2. Review homework problems for Chapters 9, 10 and 11.
3. Review and discuss stock picks assigned in Workshop 2
4. Discuss the following cases:
Case 12.1, p. 535 Penni Shows a Preference for Preferreds
Case 13.1, p. 594 Reverend Robin Ponders Mutual Funds
5. Class discussion and review of Excel end of chapter exercises.

ASSIGNMENTS TO BE COMPLETED PRIOR TO WORKSHOP FIVE

1. Work the following problems:
 Chapter 12: P12.1, P12.3
 Chapter 13: P13.6, P13.7, P13.8
2. Read Chapters 14 and 15.
3. Review cases 14.2 and 15.1. Prepare both cases to be handed in for grading.
4. Complete Portfolio project and be prepared to discuss your recommendations and present selected client recommendation to the class.

WORKSHOP FIVE

OBJECTIVES

After completion of this workshop, students will be able to:

- Describe options, puts and calls and describe how they work.
- Value put and call options.
- Describe market index options, LEAPS, puts and calls on foreign currency and how these are used in investment strategies.
- Distinguish between speculating and hedging and describe the role they play in investment strategies.
- Define, discuss and explain commodities trading and calculate measures of performance.
- Define, discuss and explain financial futures and the role of futures trading in investment strategies.

ACTIVITIES

1. Quiz
2. Review homework assigned for Chapters 12 and 13.
3. Discuss the following cases
 Case 14.2, p. 634 Evaluating Formula Plans
 Case 15.2, p. 683 Fred's Quandary
4. Class discussion and review of Excel end of chapter exercises.
5. Omega Point Associates (OPA) Investment Committee Presentations and Decisions
6. Complete Course Evaluations and give to student representative.