Course Number: FIN 4504

Class Time: 3-5:50 p.m. Tuesday

Course Name: Fundamentals of Investments

Instructor: Dr. Thomas Pencek

Office: SMC C219
Phone: 941-359-4631
Fax 941-359-4367

E-Mail: pencek@sar.usf.edu

Office Hours: 12:30-1:30 p.m. Tuesday
3-5 p.m. Monday, Wednesday and by appointment.


Course Goals: The course is intended to introduce the students to the concepts of investing and portfolio management. This course will cover valuation concepts that include the time value of money, valuations of financial assets, measures or risk and return. This course will introduce the student to portfolio analysis and portfolio performance measures.

Course Objectives: The objectives of this course are as follows:

- To understand security trading concepts and practices
- To understand the investment objectives
- To determine valuations of certain financial instruments
- To determine measures of return and risk
- To introduce the concept of portfolio formation
- To determine measures of portfolio risk and return
- To calculate option valuation

Please be aware that when you registered for this class that you are expected to commit at least 10 hours per week towards this class.

Exams: Exams in this class will be problems, multiple choice and short answer. I will give you information about the exam in advance. In addition, an optional extra credit problem will be assigned before
each exam. This will be the “curve” for the exam. If correct, a minimum of 10 points will be added to your grade. It could be worth more depending on the average for the exam. No other extra credit is given. Quizzes will be given every week to judge your progress. It is an opportunity for you to see the type of questions that I ask. Approximately 9 quizzes will be given based on the topic of that day. Five will count. No makeups of exams nor quizzes are given.

Class Participation: The class participation grade is based on the number of times you answer questions when we go over the homework assignments. I reward effort. Therefore, I expect all of you to have the homework completed when due. Some turn in assignments will also form part of your participation grade. Most of the grade lately has been in the form of turn-in assignments by e-mail. The Web Exercises are to be turned in by e-mail by 11:59 p.m. on Monday before the assignments are due. If you cannot make it class when the homework is due, please turn in the homework before class to receive some credit. Some assignments will be due by e-mail only. I respond to any messages sent. With the exception of weekends, if you do not hear from me within 24 hours, there might be a problem. Please check your participation score regularly on Canvas and compare it to the average. If you are well below average, it means you have not been participating relative to the rest of the class. The participation grades are updated weekly.

Submission of Assignments: Each and every assignment has a due date, generally one of the scheduled class meetings. All assignments MUST be submitted on their respective due dates, unless PRIOR arrangements have been made. No late assignments can be accepted.

Missed Classes: If you miss class, please get the notes from your fellow students related to the missed classes. If you have any questions about the topics presented in class, please call or see me in person as I have found that e-mail is not the best medium to get your questions answered.

Team Project: A team project will be assigned. At least three students form a team. One group member picks 20 stocks from a recommendation list by Kiplinger’s. The second student picks 20 different stocks from Kiplinger’s. The third student picks 20 stocks from a recommendation list by Kiplingers and so on. These companies were stocks recommended by Kiplingers’, a money management magazine.

1. Six-month and one-year holding period returns will be
computed. For example, if IBM recommended in February 2009, you would record the price from the 10th day of the previous month, January 2009 and follow that stock for a year until January 2010. If the stock in recommended in July 2009, then June 10, 2009 through June 10, 2010. In addition, you will perform the same procedure for the corresponding S&P 500 index. These two are preliminary calculation for the paper and has no meaning in the paper.

b. Calculate the required rate of return for each of the companies.

c. Compare the stock’s return to the S&P 500’s returns. This will be called the excess return. The betas for each stock will be multiplied by this market return for the corresponding period and will be used as the risk-adjusted market excess return.

d. Average holding period excess returns for both the six-month returns and the one-year returns will be computed for each magazine. A significance test will be used to test for significance from 0 percent for Kiplinger’s’. At some point, all of the excess returns are compiled into one file.

e. Another significance test will also be computed for your data to test for significance between the one-year and six months data.

f. The project will be due March 31.

Guidelines for paper

The paper should have three sections.

Section 1 should be an introduction of the study and what you are doing. What are your expectations? This should be short. List all of the companies in your study. All hypotheses are included here.

Section 2 should be the presentation of the data and a write up of the results. You need to talk about what you found from your data. Please include the excess return and averages. Any tables could be put here or in an appendix. Only the excess returns and statisticall calculations should be included.

Section 3 should be any conclusions based on hypotheses you have drawn from the study. Did the results match your expectations? Please include the following: a) Does the data support that you can make money by investing in stocks recommended by Kiplinger’s for this period? b) Does Kiplinger’s provide significant advice? c) Is there a difference between the six month and one year returns? Please defend both these answers using statistics required. This should be short, a couple of paragraphs.

The following is what you will be graded on in relation to the project: Focus and Unity, Organization, Support, Syntax, Grammar, Interpretation, Analysis, and Inference.
**Interpretation**
Describe main issues or themes raised by a business problem, question, or case

**Analysis and Evaluation**
Analyze the relationships among concepts or data
Use appropriate qualitative or quantitative approaches

**Inference**
Formulate accurate conclusions
Produce well-reasoned conclusions
Express clear statements of the results or recommendations
Examine and defend conclusions

**Grading:**

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<table>
<thead>
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<tbody>
<tr>
<td>3 exams @ 200 Points</td>
<td>600</td>
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<tr>
<td>5 Quizzes @20 Points</td>
<td>100</td>
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<tr>
<td>Group Project-Written</td>
<td>60</td>
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<tr>
<td>Group Project-Oral</td>
<td>40</td>
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<tr>
<td>Participation</td>
<td>100</td>
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<td><strong>Total</strong></td>
<td><strong>900</strong></td>
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**Total Points** | **Grade**
--- | ---
810 or more points | A
720-809 points | B
630-719 points | C
560-629 points | D
Below 560 | F

**USFSM AND USF SYSTEM POLICIES**

**A. Academic Dishonesty:** The University considers any form of plagiarism or cheating on exams, projects, or papers to be unacceptable behavior. Please be sure to review the university’s policy in the [USFSM Catalog](#), the USF System Academic Integrity of Students, and the [USF System Student Code of Conduct](#).

**B. Academic Disruption:** The University does not tolerate behavior that disrupts the learning process. The policy for addressing academic disruption is
included with Academic Dishonesty in the USFSM Catalog, USF System Academic Integrity of Students, and the USF System Student Code of Conduct.

C. Contingency Plans: In the event of an emergency, it may be necessary for USFSM to suspend normal operations. During this time, USFSM may opt to continue delivery of instruction through methods that include but are not limited to: Canvas, Elluminate, Skype, and email messaging and/or an alternate schedule. It’s the responsibility of the student to monitor Canvas site for each class for course specific communication, and the main USFSM and College websites, emails, and MoBull messages for important general information. The USF hotline at 1 (800) 992-4231 is updated with pre-recorded information during an emergency. See the Campus Police Website for further information.

D. Disabilities Accommodation: Students are responsible for registering with the Office of Students with Disabilities Services (SDS) in order to receive academic accommodations. Reasonable notice must be given to the SDS office (typically 5 working days) for accommodations to be arranged. It is the responsibility of the student to provide each instructor with a copy of the official Memo of Accommodation. Contact Information: Disability Coordinator, 941-359-4714, disabilityservices@sar.usf.edu, http://usfsm.edu/disability-services/

E. Fire Alarm Instructions: At the beginning of each semester please note the emergency exit maps posted in each classroom. These signs are marked with the primary evacuation route (red) and secondary evacuation route (orange) in case the building needs to be evacuated. See Emergency Evacuation Procedures.

F. Religious Observances: USFSM recognizes the right of students and faculty to observe major religious holidays. Students who anticipate the necessity of being absent from class for a major religious observance must provide notice of the date(s) to the instructor, in writing, by the second week of classes. Instructors canceling class for a religious observance should have this stated in the syllabus with an appropriate alternative assignment.

G. Sexual Misconduct/Sexual Harassment Reporting: USFSM is committed to providing an environment free from sex discrimination, including sexual harassment and sexual violence (USF System Policy 0-004). The Counseling and Wellness Center is a confidential resource where you can talk about incidents of sexual harassment and gender-based crimes including sexual assault, stalking, and domestic/relationship violence. This confidential resource can help you without having to report your situation to either the Office of Student Rights and Responsibilities (OSSR) or the Office of
Diversity, Inclusion, and Equal Opportunity (DIEO), unless you request that they make a report.

Please be aware that in compliance with Title IX and under the USF System Policy, educators **must** report incidents of sexual harassment and gender-based crimes including sexual assault, stalking, and domestic/relationship violence. If you disclose any of these situations in class, in papers, or to me personally, I am required to report it to OSSR or DIEO for investigation. The Deputy Coordinator for USFSM is Mary Beth Wallace, AVP for Student Enrollment, Engagement and Success, 941-359-4330 or marybeth@sar.usf.edu.

Campus Resources:
- Counseling Center and Wellness Center 941-487-4254
- Victim Advocate (24/7) 941-504-8599
- List of off-campus resources:
  - Hope of Manatee: 941-755-6805
  - Safe Place & Rape Crisis Center (SPARCC) – Sarasota: 941-365-1976
  - First Call for Help- Manatee: 941-708-6488
    - Sarasota & North Port 941-366-5025
  - Manatee Glens: 941-782-4800

**H. Web Portal Information:** Every newly enrolled USF student receives an official USF e-mail account. Students receive official USF correspondence and Canvas course information via that address.
## Schedule

This schedule is subject to change. Please check Canvas every week for updates.

<table>
<thead>
<tr>
<th>Date</th>
<th>Chapter &amp; Topic</th>
<th>Discussion</th>
<th>Problems</th>
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<tbody>
<tr>
<td>January 6</td>
<td>Chapter 1—The Investment Setting</td>
<td></td>
<td>Ch. 1—1,2,3,4,5,6,8,9,11,12,13,14,15</td>
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<td></td>
<td>Chapter 17—Portfolio Management and Risk</td>
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<td>Ch. 1—1,2,3,4,6,7, Web Exercise (WE)</td>
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<td>January 13</td>
<td>Chapter 17 and Project Discussion</td>
<td>Ch. 17—1,2,4,5,11,12</td>
<td>Ch. 17—1,2,3,4,5,11,12</td>
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<td>January 20</td>
<td>Chapter 2—Security Markets</td>
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<td>Ch. 2—(WE)</td>
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<td>January 27</td>
<td>Chapter 3—Participating in the Market</td>
<td>Ch. 2—1,2,3,4,5,7,8,9,10,11,12,13,14</td>
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<tr>
<td>February 3</td>
<td>Chapter 4—Investment Companies</td>
<td>Ch. 3—1,2,3,4,5,8,9,10,11,12,14,16,17,19</td>
<td>Ch. 3—1,2,3,5,6,7,8,9,10,11,12,13</td>
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<td>February 10</td>
<td>Exam 3-5 p.m.</td>
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<td>February 17</td>
<td>Chapter 5—Economic Activity</td>
<td>Ch. 4—1,2,4,5,7,12,15,16</td>
<td>Ch. 4—1,2,5,7,9,10,11</td>
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<td>February 24</td>
<td>Chapter 7—Valuation of Common Stock</td>
<td>Ch. 5—2,3,4,5,6,7,9,10,12</td>
<td>Ch. 5—(WE)</td>
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<tr>
<td>March 10</td>
<td>Chapter 14—Options</td>
<td>Ch. 6-1,2,3,5,7,8,9,10,11,12,13,14,14,17,19</td>
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<tr>
<td>March 17</td>
<td>Chapter 11—Bond Fundamentals</td>
<td>Ch. 7—2,3,4,5,6,7,8,9,11,14,17,19</td>
<td>Ch. 7—1,2,3,4,5,6,8,9,10,11,13,14,15,17,19, (WE)</td>
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<td>March 24</td>
<td>EXAM 2 (3-5 p.m.)</td>
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<td>March 31</td>
<td>Chapter 12—Bond Valuation</td>
<td>PROJECT DUE</td>
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<td>April 7</td>
<td>Chapter 8—Financial Statement Analysis</td>
<td>Ch. 11—1,3,4,7,8,9,10,11,12,15,16,18,19</td>
<td>Ch. 11—1,2,3,6,7,8,10,11,12,15,16,18,19</td>
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<td>April 14</td>
<td>Chapter 13—Convertible Securities and Warrants</td>
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<td>Ch. 12—1,2,6,8,9,10,11,12,13,16,18</td>
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<td>April 21</td>
<td>Presentations</td>
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<td>Ch. 8—1,2,3,4,5,6,8,9,10,12,15,16,17, (WE)</td>
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<td>April 21</td>
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<td>April 28</td>
<td>Final Exam</td>
<td>(3-5 p.m.)</td>
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