1. Course Description and Objectives

Finance 367 is an advanced core course for the undergraduate finance major program. The course provides a basis for making investment decisions, and is intended for students who want to become investment professionals, knowledgeable individual investors, or both. The course will focus on the fundamental principles of risk and return, diversification, asset allocation, market efficiency, valuation of various securities such as stocks, bonds and options. Students will learn market trading structures, valuation of equity and fixed income securities, investment strategies and evaluation methods. Students graduating from 367 will be able to demonstrate an understanding of investment theory, apply the theory in investment and trading decision making under differing uncertainties and constraints, formulate investment objectives, and evaluate investment strategies and performances.

2. Prerequisite

Finance 367 is restricted to students who are currently enrolled in a major program in the College of Business Administration. Prior completions of Finance 357 or Finance 357H, and Statistics 371G or 371H are required for this course. It will also help if you know some basic economics and accounting.

3. Textbooks and Course Resources

The required textbook for this course is the *Essentials of Investments* by Bodie, Kane, and Marcus, preferably the eighth edition (ISBN: 007338240X). A copy of the textbook is on two-hour reserve at the Business/PCL library. You can use earlier editions of this book if you already have it. There is also an optional textbook for the course, *Investments* by
If you are looking for a more advanced and mathematically rigorous treatment of the topics we cover, you might find the optional textbook helpful.

I will also use my own lecture notes. They will be posted on the Blackboard site in advance of the class. I will also post readings, homework problems as well as solutions to selected problems on the Blackboard as we move along. Please check the course page daily for updates.

4. Grading

Your grade will be based on your performance on problem sets, quizzes and class participation, and midterm and final exams:

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<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Problem Sets</td>
<td>15%</td>
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<tr>
<td>Quizzes &amp; Participation</td>
<td>10%</td>
</tr>
<tr>
<td>Midterm Exam</td>
<td>35%</td>
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<tr>
<td>Final Exam</td>
<td>40%</td>
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Your course grade will be determined by where your overall score lies in the distribution of the overall scores of students across all sections. The cut-offs in the distribution will be such that roughly 30% of students receive “A”s, 50% receive “B”s, and 20% receive grades below “B”. The exact curve cut-offs depend on the score distribution. I will assign plus/minus grades too (there is no “A+” though).

4.1 Problem Sets. There will be 4 problem sets, corresponding to a weekly schedule. Students are encouraged to work on problem sets in groups and to access all forms of aid including expert advice, internet, and other resources. The work you hand in should, however, be in your own words and in your own handwriting. Problem sets must be handed in by the end of the class in which they are due. Late problem sets will NOT be evaluated. The problem set grade will be the average score of the 3 best problem set grades (your lowest score does not count towards your grade).

4.2 Quizzes and Class Participation. There will be approximately 3 in-class quizzes which count for 5% of your final grade. All quizzes will be closed-book and closed-notes. The in-class quizzes will cover the material in the lectures since the previous quiz. No makeup quiz will be offered. The lowest quiz grade will not be considered in the grades computation.

Students must come to class. You are expected to read the textbook before class and to participate in class discussion. Class participation counts for 5% of your final grade. The lectures will cover extra material (e.g., exercises, discussions) not contained in lecture notes or the textbook. You are responsible for everything covered or announced in class. If you must miss a class, it is your responsibility to ask for lecture notes from another student in the class.
4.3. **Midterm and Final Exams.** Both midterm and final exams will be closed-book and closed-notes. I will provide you practice questions and solutions before both exams. Attendance at both exams is mandatory. The midterm exam will be held in-class on June 19th. The final exam will be held on Monday, August 19th.

Makeup exams may be given, at the discretion of the instructor, for serious illness, religious holiday exemption, or for other compelling emergency reasons. Please contact the instructor in advance to discuss makeup exam arrangements.

5. **Other Administrative Notes**

5.1. **Communication and Feedback.** I encourage you to give me feedback about the course material, my teaching style, and anything else that would help you learn the course material better. You should come and talk to me in person if you have any concerns and/or suggestions. However, if that makes you uncomfortable, you can leave an anonymous message on the discussion board on the Blackboard site of the course. I will check the discussion board regularly.

5.2. **Students with Disabilities.** The University of Texas at Austin provides upon request appropriate academic accommodations for qualified students with disabilities. Please let me know if you have a documented disability, so I can provide any accommodations you may need.

5.3. **Academic Misconduct.** The University of Texas Honor Code applies to all graded work in this course. Academic dishonesty will not be tolerated. Any individual suspected of cheating, including stealing or using stolen examinations, will be disciplined to the maximum extent possible. For more information, visit [http://deanofstudents.utexas.edu/sjs/acint_student.php](http://deanofstudents.utexas.edu/sjs/acint_student.php).

5.4. **Classroom Etiquette.** To help establish and maintain a courteous, distraction-free learning environment in our classroom, I ask that all students please observe the following rules of behavior during lectures and exams:

1. Use of mobile phones is prohibited. This includes using mobile phones for instant messaging, email, web, pictures, etc. When in class, all mobile phones must be turned off or put in “silent” modes.
2. Use of wireless laptops or other networked devices is prohibited. Surfing the web, instant messaging, reading email or typing on a keyboard during class is extremely distracting to those around you. When in class, all laptop computers and other networked devices (e.g. iPad, Blackberries and such that can be used for 2-way communications, email, IM, etc.) must be turned off and put away.
3. If you come late or have to leave early, please do so quietly: take care to walk softly and keep from disturbing your fellow students.