

| | |
|------------------------|---|
| Instructor | Shuo Liu |
| Office Hours | MW 9:00AM – 10:30AM and 3:00PM – 4:00PM |
| Office Location | CBA 3.332E |
| E-mail | shuo.liu@mcombs.utexas.edu |
| Course Webpage | via Canvas, http://canvas.utexas.edu |
| Unique Number | 71460 |
| Meeting Time | MTWTh 12:00PM – 2:00PM |
| Classroom | UTC 1.116 |

Course Objectives

The objectives of the course are to learn important concepts and theories of financial-market investments and to apply the framework to analyze such financial securities as bonds, stocks, financial derivatives, and portfolios. You should be able to make intelligent investment decisions upon finishing this course. More importantly, you would develop a good understanding of financial markets and their roles in society at large. Details are provided in the Class Schedule section.

Course Outline

Module 1: Financial markets, theories, risk and returns (Chapters 1-2, 5-10, and 13);

Module 2: Fixed-income securities (Chapters 14-16);

Module 3: Stocks, indices, and portfolio investments (Chapters 2-3, 11-13, 17-19);

Module 4: Options, futures, and institutional investors (Chapters 4, 20-23, 26).

Course Material

Required Textbook

The following textbook is required for this course:

Zvi Bodie, Alex Kane, and Alan Marcus, *Investments*, 10th Edition (ISBN: 0077861671)

The book is available for purchase at the University Co-op. I apologize for how expensive the textbook is. It is a great textbook to keep if you are interested in careers in financial services. The relevant chapters for each lecture can be found in the Class Schedule section of this syllabus. **Before each class**, you need to at least familiarize yourself with the terminology, basic concepts, and logic flow of the content.

The homework problems will not come directly from the book. Therefore, older editions (e.g., 9th Edition ISBN 0077477561), electronic versions (e.g., a Kindle rental for around \$70), or a copy shared with a friend will all be equally effective.

Lecture Notes

I will provide a handout each class day with copies of the slides I use. These handouts will include formulas and an overview of the material we discuss in class. There will be a good amount of discussion and non-slide learning in the course, so you should also plan to take your own notes. **I will NOT post or email electronic copies of the lecture notes** since they will contain homework and exam solutions that I do not want future students to have access to. If you have to miss a class, please see me or ask a fellow student to pick up a hard copy for you. **The slides are NOT designed to be sufficient for homework problems or exams.**

Calculator

You will need a scientific calculator for the course capable of doing powers (e.g., 1.04^{10}) and logarithms. If you have a calculator with financial functions such as IRR, PV, FV, etcetera, please feel free to use it for homework and during exams, though such a calculator is not required. So that it can be used during exams, **your calculator cannot be on your phone. Please bring your calculator to every class session.**

Prerequisites

Finance 367 is restricted to BBA students. Prerequisites include prior completion of Finance 357 or Finance 357H, and of Statistics 371G or Statistics 371H. In addition, proficiency in mathematics and working with Excel spreadsheets is assumed.

Course Requirements and Grading

The course grade will be based on the following:

- **Midterm Exam (20%):** in class on Monday, June 20, covering Modules 1 and 2
- **Final Exam (35%):** comprehensive; date and time to be determined by Registrar
- **Quizzes (20%):** five in-class quizzes, the best four scores count
- **Homework (15%):** three assignments, 5% each
- **Participation (10%):** attendance and contribution to class discussions

Letter-grade Distribution

I give letter grades (the grades on your transcript) for the course according to your relative ranking in your class (i.e., the grade curve). I plan to give about 30% A's, 50% B's, and 20% C's or below. I reserve the right to make any adjustment to this distribution based on the overall performance of the class.

Details and Policies (PLEASE READ VERY CAREFULLY)

Exams

There will be one midterm exam and one final exam. The midterm exam will cover the first two modules; the final exam is comprehensive, covering all four modules. My exams tend to include most of the material I have taught (rather than just a few big questions). The tests will include both qualitative and quantitative material. The qualitative questions are usually short answer or multiple choice.

Keeping up with the course material throughout the semester is by far the best way of studying for exams. The summer semester is intense by design, so after each class, you should do your best to make sure you understand everything we talked about in the class. Doing the homework, reviewing notes, reading relevant chapters from the textbook, looking at solutions to past homework, and asking questions during office hours are all good ways of keeping up with the material in the course.

If you have to miss an exam as scheduled due to a legitimate reason, please refer to the policies below:

- 1) Medical problem: **you must provide a document signed and dated by the doctor explaining your medical condition.** If possible, please ask the doctor to explicitly state that your medical condition prevents you from taking the exam on the scheduled date.
- 2) Religious holy day: per University policies, you must submit a written request to me **at least fourteen (14) days** prior to the observance date.
- 3) Other reasons: you must submit a written request with detailed explanation **at least three (3) calendar days prior to the exam date (for example, for the midterm exam on June 20, the request has to be submitted by 12:00PM on June 17).** I have the final say on granting the absence for reasons that belong to this category (i.e., not medical or religious).

If you fail to follow the rules specified above and miss an exam, you will receive a zero for the exam. A make-up exam will be provided only if you missed an exam with legitimate reasons and followed the rules stated above.

Quizzes

There will be five in-class quizzes in total. As indicated by the Class Schedule, I will give a quiz every Wednesday. The quiz will take place at the beginning of the class. **If you miss any quiz without a pre-approved request, you receive a zero.** At the end of the semester, I will drop your lowest score among the five quiz scores and each of the remaining four counts 5% towards your final grade. If you are approved to miss a quiz and attend the other four, you still get to drop the lowest score and each of the remaining three counts 6.67% towards your final grade, so on and so forth. If you only attend one quiz and miss the other four with legitimate reasons, that quiz counts 20% towards your final grade and there is no option of dropping any score. For the extreme case that you miss all five quizzes with legitimate reasons, the 20% weight will be added to your final exam weight, i.e., your final exam would count 55% towards your final grade. For details on how to make a request for absence, please refer to the policies described above for missing an exam.

Homework

Homework assignments (3 in total) will be posted online about a week prior to the due date. Each assignment counts 5% toward your final grade. You are allowed to either complete the assignments by yourself or work with at most two other people (so the

maximum group size is THREE). **Each group should submit only one copy of the assignment at the beginning of class on the due date.** Grades of the assignment will be numbers ranged from 0 to 5, based on both accuracy and effort, which means grading will be very lenient. **However, you should not expect such method of grading for quizzes or exams.** Late homework will not be accepted unless you have a pre-approved request. For details on how to make such a request, please refer to the policies described above for missing an exam.

Re-grading

If you believe there is a problem in the grading of any homework assignment, quiz, or exam, please submit a written request to me with a detailed explanation of your situation **within 3 calendar days after the assignment or exam is distributed back.** An exception is the final exam – the final exam papers will not be distributed back.

For any regrading request, you will be notified individually about the result within 3 calendar days after you submit the request.

Class Participation

I will take attendance at the beginning of each class, i.e., at 12:00PM sharp. The exceptions are the midterm exam day and the classes with a quiz at the beginning. **If you arrive after I start the lecture, you will be counted as absent for that class.** I understand that things happen – a bus runs late, you are sick, you have an interview, etcetera. To accommodate these and other unexpected problems, I excuse two absences or late appearances. **Please note that I do not allow such excuses to be automatically applied to quizzes and you must submit a request in advance so that you do not get a zero for missing a quiz. Details have been discussed in the previous section.** In your final grade calculation, 1 percentage point is subtracted for each absence or late appearance in excess of the two times allowed.

I know that attending classes on time can be a challenge, but *Investments* is a challenging topic. If you do not come to class or pay enough attention, you will likely do very poorly on the exam. For this reason, I also strongly encourage you to be active in class. The *quality, not quantity*, of your participation in class can have an influence on your final participation grade.

Finally, your participation grade will also be influenced by your adherence to the McCombs Classroom Professionalism Policy (described below).

McCombs Classroom Professionalism Policy

The highest professional standards are expected of all members of the McCombs community. The collective class reputation and the value of the Texas BBA experience hinges on this. You should treat the Texas BBA classroom as you would a corporate meeting called by your boss.

Faculty are expected to be professional and prepared to deliver value for each and every class session. Students are expected to be professional in all respects.

The Texas BBA classroom experience is enhanced when:

- Students arrive on time. See above for a discussion of my attendance policy.
- Students display their name cards. This permits fellow students and faculty to learn names, enhancing opportunities for community building and evaluation of in-class contributions.
- Students minimize unscheduled personal breaks. The learning environment improves when disruptions are limited.
- Students are fully prepared for each class. Much of the learning in the Texas BBA program takes place during classroom discussions. When students are not prepared they cannot contribute to the overall learning process. This affects not only the individual, but their peers who count on them, as well.
- Students and faculty respect the views and opinions of their colleagues. Reasonable disagreement and debate are encouraged. Intolerance for the views of others is unacceptable.
- Laptops are closed and put away. Laptops will not be needed at any point during the lectures. If you have one out, I will ask you to put it away because it distracts you, your neighbors, and me. I will provide hard copies of the lecture notes before each lecture with plenty of white space for additional notes.
- Phones and wireless devices are silent and do not vibrate. We have all heard the annoying ringing in the middle of a meeting. Not only is it not professional, it cuts off the flow of discussion when the search for the offender begins. When a true need to communicate with someone outside of class exists (e.g., for some medical need) please inform me prior to class.

Class Schedule

June

| Monday | Tuesday | Wednesday | Thursday |
|---|---|---|--|
| | | | 2 Introduction <i>Chapters 1, 2</i> |
| 6 Risk and Returns <i>Chapters 5, 6</i> | 7 Portfolio Theory I <i>Chapters 6, 7, 8</i> | 8 Portfolio Theory II <i>Chapters 6, 7, 8</i> Quiz 1 | 9 CAPM I <i>Chapters 9, 10, 13</i> |
| 13 CAPM II <i>Chapters 9, 10, 13</i> Due: HW1 | 14 Bond Basics <i>Chapter 14</i> | 15 Yield Curve <i>Chapter 15</i> Quiz 2 | 16 Bond Portfolios <i>Chapter 16</i> |
| 20 Midterm Exam Modules 1, 2 | 21 Stocks I <i>Chapters 17, 18</i> | 22 Stocks II <i>Chapters 3, 18</i> Quiz 3 | 23 Market Efficiency <i>Chapters 11, 12</i> |
| 27 Quantitative Analysis <i>Chapters 12, 13</i> Due: HW2 | 28 Futures I <i>Chapters 22, 23</i> | 29 Futures II <i>Chapters 22, 23</i> Quiz 4 | 30 Options I <i>Chapters 20, 21</i> |

July

| Monday | Tuesday | Wednesday | Thursday |
|---|---|---|--|
| 4 No Class <i>Celebration!</i> | 5 Options II <i>Chapters 20, 21</i> Due: HW3 | 6 Institutional Investors <i>Chapters 4, 26</i> Quiz 5 | 7 Course Review Q & A |

Students with Disabilities

Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 512-471-6259, <http://www.utexas.edu/diversity/ddce/ssd/>.

Religious Holy Days

By UT Austin policy, you must notify me of your pending absence **at least fourteen days prior to the date of observance** of a religious holy day. If you must miss a class, an exam, a homework assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

Policy on Scholastic Dishonesty

The McCombs School of Business has **no tolerance** for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the BBA Program's Statement of Scholastic Dishonesty at <http://www.mcombs.utexas.edu/BBA/Code-of-Ethics.aspx>. By teaching this course, I have agreed to observe all faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all student responsibilities described in that document. If the application of the Statement on Scholastic Dishonesty to this class or its assignments is unclear in any way, it is your responsibility to ask me for clarification. **Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University.** Since dishonesty harms the individual, all students, the integrity of the University, and the value of our academic brand, policies on scholastic dishonesty will be **strictly enforced**. You should refer to the Student Judicial Services website at <http://deanofstudents.utexas.edu/sjs/> to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

Campus Safety

Please note the following recommendations regarding emergency evacuation, provided by the Office of Campus Safety and Security (Phone: 512-471-5767; Website: <http://www.utexas.edu/safety>):

- Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.
- Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.
- Students requiring assistance in evacuation should inform the instructor in writing during the first week of class.
- In the event of an evacuation, follow the instruction of faculty or class instructors.
- Do not re-enter a building unless given instructions by the following: Austin Fire Department, The University of Texas at Austin Policy Department, or Fire Prevention Services Office.
- Behavior Concerns Advice Line (BCAL): 512-232-5050
- Further information regarding emergency evacuation routes and emergency procedures can be found at: <http://www.utexas.edu/emergency>.