

# BUS 365- Investments

## Fall 2008

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### Textbook and Supplies

- 1) The required text is *Investments* (8<sup>th</sup> edition) by Bodie, Kane and Marcus (BKM). *A Random Walk Down Wall Street* (RW) by Burton Malkiel (2007 or latest edition, W.W. Norton) is also required.
- 2) Financial calculator – The TI-BAII or HP 10B are fine. The least expensive calculator will usually work. (Important keys:  $e^x$ ,  $\ln(x)$ ,  $y^x$  and  $1/X$ ).
- 3) A USB drive is a good way to save files in the lab, but you can also email them to yourself.
- 4) A bound copy of my course slides is available. The print shop bills you directly for the cost of the paper and binding. If you don't want a hardcopy, you can download the pdfs (free) from the L drive. I will post homework solutions on the L drive. You should bring the notes to class, but there is no need to bring the textbook.

A subscription to the Wall Street Journal is recommended (but not required).

### Overview

This class will provide students an introduction to investments. A list of topics to be covered is provided on the last page. Although the textbook is filled with complex equations and historical data, there is no substitute for common sense: *returns above the risk-free rate involve risk!*

Like so much of finance, mastery of this subject may require a willingness to improve your present math/spreadsheet skills. We will spend some of our class time working problems and covering spreadsheet skills. The discussions may include some first year calculus, but do not despair. If you make an effort to keep up and work the homework problems, you should do fine. The homework will not be collected, and an answer key is available. If you need assistance with the homework, please visit during office hours. Course Prerequisites: INTR 202, BUS 221

## Projects

There are 4 planned projects. Some of the problems are difficult. If time permits, we will work variations of the project problems in class before the due date. The best way to keep up is to try the project immediately after that review. Please don't ask me to go over the projects during hours if you are absent (unexcused variety) from the review. Most of our projects are done in Excel, and may be copied into MS Word. Do not buy fancy book report covers for your project; please just staple the pages together. The cover page should have: your name, the project number and the class time.

Late projects of the unexcused variety will accrue a 2 point penalty per 24 hours or part thereof; just slide the project under my office door along with the self-calculated penalty. If you have a printer problem or some other technical issue, turn in what you have at class time (tell me about the problem and we will arrange a solution without penalty). Please do not consult students with old projects from my class or provide your old projects to rising students preparing to take my class. I would like future students to have the opportunity to think about the solutions, and I ask for your help. My hope is that you will think about each problem.

I do not consider it a violation of my trust if you work with a classmate. I hope you do not use this as an opportunity to do some good ole fashion "splitting up and copying". This is very easy for me to spot and always disappointing. Acceptable cooperation can range from asking a student sitting next to you in the lab a simple question such as "how did you get that to graph?" or "can you see what I've done wrong here?" to working alongside a friend in the lab. You should disclose it on the cover page: "I acknowledge Mortimer Duke for help graphing problem 3", or "I worked with Randolph Duke". Questions about the projects will appear on the exams.

It is NOT acceptable to copy, print or adapt a file from another student (current or former) and attempt to pass it off as your own work. If you have any questions, about what is or is not acceptable cooperation please ask me. If you are stuck, need Excel help, or have a question, I am happy to help you. I will also be available in the computer lab on the dates TBA, usually a day or two before the due date. I will circulate around in the lab, but will not hold a formal class.

Project	TOPIC
1	Risk and Return
2	Optimal Portfolios
3	CAPM & Bonds
4	DCF & Hedging

## Course prerequisites

C-School majors: Bus 221, INTR 202

## Grades:

Grades are based on a two exams, a final, four projects, and in-class participation. Course grades are weighted as follows:

Exams:	40%
Comprehensive Final:	30%
Projects:	25%
Participation:	5 %

Your exam will receive a letter grade: A, B, C, D or F worth 4, 3, 2, 1 and 0 points respectively. A plus will add 0.33 and a minus will subtract 0.33. The value for the projects will be  $4.0 * (\text{total points}/100)$ , so a student with a 90 total will receive 3.60 points. The final grade will be the grade closest to weighted average of your course elements. For example, a student with an average of 3.83 and above will receive an A. An A- will be the range (0.33 wide) around 3.67 (3.5-3.83). A B+ will be centered on 3.33 (3.16 to 3.49), and so on.

**Exam/Final Info:** Each exam will have a time limit and the rules of the honor code apply. The exams may include problems, short-answer questions, definitions, and multiple-choice questions. The exams are closed-book and closed class notes, but you may bring one 4" x 6" notecard with any formulas you like to the exam.

- You may use a financial calculator on the exam, but must show the underlying calculations on each problem. While you may use any resident function available on the calculator, you may not use the programmable part of your calculator to store text or automate solutions on any test.
- Your notecard must contain only formulas w/symbol definitions. Your notecard may not contain: worked examples, concept definitions, graphs or data. An allowable formula is:  $E(r_i) = r_f + \beta_i(r_m - r_f)$  where  $r_f$  is risk-free rate
- Cell phone should be turned off and stored away during tests.
- I will try to return the exams to you at the next class meeting. At the end of that class, I will collect them back from you.
- If you have specific questions about your exam (or did not get your grade), please come by my office or ask after class.

