**Georgetown University**

***McDonough School of Business***

**FINC-241**

**PRINCIPLES OF INVESTMENT**

**Summer 2016 – Session 2**

### FINC-241-20: Mondays, Tuesdays, Wednesdays, Thursdays; ICC Room 116

### 10:45am–12:45pm; July 11 - August 11, 2016

**Professor**: Lynn Doran, Ph.D.

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**Office Hours:** Mondays & Wednesdays, 3:00pm – 4:00pm

Or immediately before class or by appointment

**Course Description:**

Securities markets are evolving rapidly as theories, financial instruments and trading practices become increasingly more sophisticated. This course provides an introduction to the institutional aspects of various capital markets and to the characteristics and valuation of various investment instruments including equity, fixed income, and derivatives. Risk-return analysis and the portfolio management process will be discussed. The course will focus primarily on U.S. markets but will also consider international investments. Topics will be approached from a theoretical basis and through practical experience in a portfolio project. The course will provide students with practical information for personal investing and also help prepare students for careers in corporate finance, asset management, research, or sales and trading.

**Prerequisite:** FINC-211 Business Financial Management, or the equivalent.

**Course Materials**:

Bodie, Kane, and Marcus, *Investments*, Tenth edition, Irwin/McGraw-Hill, 2014.

*Lecture Notes* – Distributed in class. (A 3-ring notebook is recommended.)

A business calculator – Recommended models are the Texas Instrument BAII Plus calculator (approx. $35) or the BAII Plus Professional (approx. $70).

**Course Requirements:**

Class attendance and participation are expected. Please arrive early for class to allow yourself time to get settled so we can begin class promptly. Laptop computers are not needed during lectures and tend to distract both the user and other students in the class. As such, **my policy is that laptop computers should be closed at all times**. Also, please turn off cell phones and other electronic devices during class.

You are expected to complete assigned readings before class and be prepared to discuss them in class. You should regularly read the business press, especially *The Wall Street Journal* or *Financial Times*. We will discuss current events in class as appropriate.

Course materials will be posted on Blackboard. Announcements about the class will also be sent via email to the address you provide. Please check that email address regularly.

The course outline is tentative, but the dates of the quizzes and final exam are set. Please mark your calendar now, since **no makeup quizzes nor final exam will be given**. Don’t be concerned if we get a little ahead or behind the schedule. If changes to the schedule become necessary, the changes will be announced in class.

Your grade in this class will be based on your performance on quizzes, a comprehensive final exam, homework assignments, a portfolio project, and class participation.

**Quizzes**

Four quizzes will be given during the semester. The lowest score will be dropped and the other three scores will be averaged. The dates of the quizzes are listed on the Course Outline. No make-up quizzes will be given. If a quiz is missed, a zero will be recorded and that will be the quiz grade that is dropped.

Quizzes will consist primarily of problems plus short essay answer and/or fill-in-the-blank questions. Quiz questions may be based on class discussions of current business topics as well as the regular lecture material. The quizzes are closed-book, but needed formulas will be provided.

**Final Exam**

The final exam will be held during the regular class time, **10:45a.m. - 12:45 p.m. on Thursday, August 11**. It will **not** be possible to make up the final exam at a time other than the scheduled exam period.

The final exam is comprehensive. It may cover any topic discussed throughout the course. No formulas will be provided for the final exam. However, you are allowed one **single-sided** sheet of notes to help organize your thoughts for the final exam. This sheet of notes may contain formulas or anything else you wish. Each student is encouraged to prepare his/her own study sheet.

**Homework Assignments**

The textbook includes questions and problems for each assigned chapter listed on the course outline. Although these questions and problems will not be collected or graded, you are responsible for completing them. Doing problems is essential to learning finance. Questions and problems similar to those in the textbook may appear on the quizzes and final exam. Answer keys for these questions and problems are posted on Blackboard.

There are four homework assignments that will be collected and graded. The assignments will be posted on Blackboard and distributed in class. These assignments will be graded on a scale of 1-10, with 10 being “outstanding.”

Due dates for the homework assignments are specified on the course outline. Assignments may be turned in early, but will be penalized if turned in late. Assignments will be collected at the **beginning** of class on the day they are due. Assignments turned in after that time will be assessed a 1-point (i.e., 10 percent) deduction for being late. At the discretion of the professor, assignments turned in after the class discussion of the assignment may **not be accepted**. Missing class is **not** an acceptable excuse for missing an assignment due date.

**Portfolio Project**

Details of the requirements for the portfolio project will be distributed in class and posted on Blackboard. A midterm project report is due on **Tuesday, July 26**. The final report is due on **Thursday, August 4**.

The project is to be done individually. The project reports will be graded on a percent basis. Fulfillment of requirements, numerical calculations, content and clarity of writing, attention to detail, and overall professionalism will be considered in determining grades on the reports.

Due dates for the midterm report and the final report are specified on the course outline. Reports may be turned in early, but will be penalized if turned in late. Reports will be collected at the **beginning** of class on the day they are due. Reports turned in after that time will be assessed a 10 percent deduction for being late. At the discretion of the professor, assignments turned in late may **not be accepted**.Missing class is **not** an acceptable excuse for missing a project due date.

**Class Participation**

Students will be graded on overall participation throughout the course, including class attendance, class discussion, in-class problem solving, and group participation. Paying attention during lectures and doing practice problems in class are more important than speaking in class. For class discussions, remember that quality is more important than quantity! Participation requires that you keep up with the readings, do sample problems, and ask questions when you are confused.

There may be times when missing class is unavoidable, due to illness, etc. You do not need to notify Professor Doran if you will miss class. You will not be penalized for missing a class or two, but it will be difficult to obtain a good grade for class participation if you rarely attend class. Also, coming to class late and/or taking breaks during class, on a consistent basis, will adversely affect your class participation grade. Please inform Professor Doran of any extenuating circumstances that may affect your class attendance or participation.

Participation will be graded on a scale of 1-10, with 10 being “outstanding.” In past semesters, only a few students in each class have received participation grades higher than 9. It is also common for students who rarely attend class to receive participation scores as low as 2 or 3.

At the end of the summer session, students will be asked to evaluate their own class participation. You may want to keep a record of your participation and classes missed. This self-evaluation will be considered by Professor Doran in determining class participation grades.

**Finance Area Standard Grading Policy**

The average GPA for all students in FINC 241 taught by a given professor in any semester will not be higher than 3.4 and the percentage of grades in the A/A- range will not be above 50% when averaged over all sections of the course taught by that professor during that semester.

**Grading:**

When determining grades, course requirements will be weighted as follows:

Quizzes 30 percent of grade

Final Examination 25 percent of grade

Homework Assignments 20 percent of grade

Project – Midterm report 10 percent of grade

Project – Final report 10 percent of grade

Class Participation 5 percent of grade

Your grade in the class will be based on your overall percent average, in accordance with the Finance Area’s Standard Grading Policy. Based on past semesters, the following is a **rough guideline** as to how grades will be determined:

95-100% A 81-84% B- 68-70% D+

91-94% A- 78-80% C+ 65-67% D

88-90% B+ 75-77% C <65% F

85-87% B 71-74% C-

Failure to complete one or more requirements of the course will result in a grade of “F” (or “I” if the student officially requests and is approved for an incomplete grade).

**Academic Integrity:**

Students are expected to adhere to the highest standards of academic integrity. It is your responsibility to know the Honor Code and what constitutes a violation. Information about Georgetown’s Honor System can be obtained at gervaseprograms.georgetown.edu/honor.

You should re-familiarize yourself with the Honor Code by reviewing the Honor Council Document “What is Plagiarism?” (gervaseprograms.georgetown.edu/honor/system/53377.html).

Please be aware that professors are **obligated** to report any suspected violations of the Honor System to the Honor Council. The following notes concerning the Honor Code apply to this class:

1. Working together on practice problems and studying together for quizzes and the final exam are acceptable and encouraged. Collaboration on the construction of your study sheet for the final exam is also acceptable although each student is encouraged to prepare his/her own study sheet.

2. On homework assignments to be turned in for a grade, students may discuss the concepts underlying the assignment. However, no collaboration in the actual preparation of answer sheets or spreadsheets is permitted.

3. Cheating on quizzes or the final exam (in whatever form) is expressly prohibited by the Code.

4. On the portfolio project, students/groups are permitted and encouraged to discuss concepts, choices of securities, and trading strategies. However, each student or group must work independently in the actual preparation of written reports to be submitted for grading. Sharing of work among members of a group is permitted but sharing of written work across groups is prohibited and is a violation of the Code.

5. For the project, if you gather data from any source (internet, books, library, etc.), you must properly cite your sources. If you take a direct quote from any source, you must put the direct quote in quotation marks and use a footnote to cite the source. Failure to cite direct quotes is a violation of the Code.

**Tips for Success in Principles of Investment:**

1. Before each lecture, read the chapter on that topic. Don’t be concerned if you don’t fully understand the material yet.

2. During class, work hard! Keep up with the lecture. Solve the problems as we go along.

3. After class, read the chapter again. This time, work through the examples in the textbook. Answer the questions and solve the problems at the end of the chapter. (Note: Answers to the textbook questions and problems will be posted under “Textbook Solution” on Blackboard.) Study your lecture notes and work through all the examples in your notes. (Note: Answers to the lecture examples will be posted under “Lectures” on Blackboard.)

4. Do the problems at the end of each assigned chapter listed on the course outline. Do not look at the solution for a problem until after you have worked through it and have a final answer. There is no easy way to learn Finance - - you have to do the problems!

**TENTATIVE COURSE OUTLINE**

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| **Date** | **Topics &** **Readings** | **Assignments** |
| M-July 11 | ***Introduction to Course***  Chapter 1  ***Capital Markets & Trading***  Chapters 2 & 3 |  |
| T-July 12 | ***Equity Markets & Securities***  Chapters 2 & 3 |  |
| W-July 13 | ***Security Analysis***  Chapter 17  ***Equity Valuation***  Chapter 18 |  |
| Th-July 14 | ***Equity Valuation (continued)*** | **Homework #1 Due** |
| M-July 18 | **QUIZ #1**  ***Fixed Income Markets, Securities, and Valuation***  Chapters 14-15 |  |
| T-July 19 | ***Fixed Income Markets, Securities, and Valuation***  ***(continued)***  ***Fixed Income Portfolios***  Chapters 16 |  |
| W-July 20 | ***Options Markets &Securities***  Chapter 20 |  |
| Th-July 21 | ***Options Valuation***  Chapter 21 | **Homework #2 Due** |
| M-July 25 | **QUIZ #2**  ***Futures and Other Derivatives***  Chapters 22-23 |  |

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| T-July 26 | ***Futures and Other Derivatives (continued)***    ***Mutual Funds and Hedge Funds***  Chapters 4 & 26 | **Project Midterm Report Due** |
| W-July 27 | ***Mutual Funds and Hedge Funds (continued)*** |  |
| Th-July 28 | ***Portfolio Theory: Risk & Return***  Chapter 5 | **Homework #3 Due** |
| M-Aug 1 | **QUIZ #3**  ***Portfolio Theory: Capital Allocation***  Chapter 6 |  |
| T-Aug 2 | ***Portfolio Theory: Optimal Portfolios***  Chapter 7 |  |
| W-Aug 3 | ***Asset Pricing Models***  Chapters 9 & 10 | **Homework #4 Due** |
| Th-Aug 4 | ***Market Efficiency and Market Returns***  Chapters 11 & 13 | **Project Final Report Due** |
| M-Aug 8 | **QUIZ #4**  ***Portfolio Management & Evaluation***  Chapters 24 &27 |  |
| T-Aug 9 | ***Portfolio Management & Evaluation (continued)*** |  |
| W-Aug 10 | ***Extra Day / Review for Final Exam*** |  |
| Th-Aug 11 | **FINAL EXAM** |  |