

ESSEX COUNTY COLLEGE
Business Division
FIN 207 – Principles of Investment
Course Outline

Course Number & Name: FIN 207 Principles of Investment

Credit Hours: 3.0 **Contact Hours:** 3.0 **Lecture:** 3.0 **Lab:** N/A **Other:** N/A

Prerequisites: Grades of “C” or better in ECO 101 and ECO 102

Co-requisites: None

Concurrent Courses: None

Course Outline Revision Date: Fall 2011

Course Description: This course mainly discusses portfolio management, including the management of investments in stocks, bonds, and other financial instruments. It further examines individual financial instruments in depth and the investment strategies of shifting the relative amounts held by the investor during changing economic conditions.

Course Goals: Upon successful completion of this course, students should be able to do the following:

1. identify and explain the key elements of investment;
2. evaluate the common debt and equity securities and analyze the relative risks and returns associated with each;
3. explain how macroeconomic policies affect specific industries;
4. explain how to apply various strategies in the management of financial investment portfolios in order to optimize profits (and minimize taxes) within acceptable risks; and
5. use technology and information resources to research issues in investments.

Measurable Course Performance Objectives (MPOs): Upon successful completion of this course, students should specifically be able to do the following:

1. Identify and explain the key elements of investment:
 - 1.1 *distinguish between real assets and financial assets;*
 - 1.2 *identify and describe asset classes and financial instruments;* and
 - 1.3 *explain how security markets work*

Measurable Course Performance Objectives (MPOs) (continued):

2. Evaluate the common debt and equity securities and analyze the relative risks and returns associated with each:
 - 2.1 *compute a bond's price given its yield to maturity and compute its yield to maturity given its price;*
 - 2.2 *identify the determinants of bonds' safety and rating and explain how credit risk is reflected in bonds' yields and the prices of credit default swaps;*
 - 2.3 *analyze the features of bonds that affect the sensitivity of its price to interest rates; and*
 - 2.4 *analyze the choices to be made in an actively managed bond portfolio*
- 3 Explain how macroeconomic policies affect specific industries:
 - 3.1 *define common macroeconomic terms such as GDP, employment, inflation and budget;*
 - 3.2 *distinguish between fiscal and monetary policy and explain how they are used to expand investment; and*
 - 3.3 *interpret economic indicators and discuss how they are used as a guide to investment and industrial planning*
4. Explain how to apply various strategies in the management of financial investment portfolios in order to optimize profits (and minimize taxes) within acceptable risks:
 - 4.1 *interpret the major financial statements;*
 - 4.2 *define what option contract is and explain the various option strategies; and*
 - 4.3 *identify and explain the basics of future contracts and how to reduce risk*
5. Use technology and information resources to research issues in investments:
 - 5.1 *use the internet to collect and compare stock market indexes of the major economies and generate graphs for analysis; and*
 - 5.2 *use appropriate software to generate the correlation of given Monthly Asset Returns of selected countries*

Methods of Instruction: Instruction will consist of a combination of lectures, online assignments, class participation and workshops.

Outcomes Assessment: Test and exam questions are blueprinted to course objectives. Data are collected and analyzed to determine the level of students' performance on these assessment instruments in regards to meeting course objectives. The results of this analysis are further used to guide necessary pedagogical and/or curricular revisions.

Course Requirements: All students are required to:

1. Maintain regular attendance and complete all assigned homework on time.
2. Actively participate in class discussions and workshops.
3. Read the recommended textbook and continuously explore other related resource materials.
4. Take all tests and exams when scheduled.

Methods of Evaluation: Final course grades will be computed as follows:

Grading Components	% of final course grade
<ul style="list-style-type: none">• Attendance, Class Participation and Homework To assess students' understanding of investment concepts, homework problems are designed to relate and apply real-life situations to what is learnt in class. All other class participation, including in workshops and attendance, is rewarded accordingly.	15 – 25%
<ul style="list-style-type: none">• 3 or more in-class Tests (dates specified by the instructor) Tests will show evidence of the extent to which students meet course objectives including but not limited to identifying and applying concepts, understanding terms, and demonstrating evidence of basic foundations of investment.	45 – 55%
<ul style="list-style-type: none">• Final Exam The final exam will examine the extent to which students have understood and synthesized course content and achieved course objectives.	20 – 30%

NOTE: The instructor will provide specific weights, which lie in the above-given ranges, for each of the grading components at the beginning of the semester. Also, students should be apprised of their performance on an ongoing basis throughout the semester.

Academic Integrity: Dishonesty disrupts the search for truth that is inherent in the learning process and so devalues the purpose and the mission of the College. Academic dishonesty includes, but is not limited to, the following:

- plagiarism – the failure to acknowledge another writer's words or ideas or to give proper credit to sources of information;
- cheating – knowingly obtaining or giving unauthorized information on any test/exam or any other academic assignment;
- interference – any interruption of the academic process that prevents others from the proper engagement in learning or teaching; and
- fraud – any act or instance of willful deceit or trickery.

Violations of academic integrity will be dealt with by imposing appropriate sanctions. Sanctions for acts of academic dishonesty could include the resubmission of an assignment, failure of the test/exam, failure in the course, probation, suspension from the College, and even expulsion from the College.

Student Code of Conduct: All students are expected to conduct themselves as responsible and considerate adults who respect the rights of others. Disruptive behavior will not be tolerated. All students are also expected to attend and be on time for all class meetings. No cell phones or similar electronic devices are permitted in class. Please refer to the Essex County College student handbook, *Lifeline*, for more specific information about the College's Code of Conduct and attendance requirements.

Course Content Outline: based on the text **Essentials of Investments**, 8th edition, by Bodie, Z, Kane, A & Marcus, A; published by McGraw-Hill Irwin

Week	Content/Topics	Chapter Number
1	Investments: Background and Issues	1
	Asset Classes and Financial Instruments	2
2	Securities Markets	3
	Mutual Funds and other Investment Companies	4
3	Test #1 on Chapters 1, 2, 3 and 4	
	Risks and Return: Past and Prologue	5
4	Efficient Diversification	6
	Capital Assets Pricing and Arbitrage Pricing Theory	7
5	The Efficient Market Hypothesis	8
	Class Workshop and Revision	
6	Test #2 on Chapters 5, 6, 7 and 8	
	Behavioral Finance and Technical Analysis	9
7	Bond Prices and Yields	10
	Macroeconomic and Industry Analysis	12
8	Equity Valuation	13
	Financial Statement Analysis	14
9	Test #3 on Chapters 9, 10, 12, 13 and 14	
	Option Markets	15
10	Option Valuation	17
11	Portfolio Performance Evaluation	18
	Globalization and International Investing	19
12	Hedge Funds	20
13	Taxes, Inflation and Investment Strategy	21
	Investors and the Investment Process	22
14	Class Workshop and Revision	
15	Final Exam on Chapters 15, 17, 18, 19, 20, 21 and 22	