

Appendix B

Learning Outcomes of Students in BBA-Finance Program

This appendix includes two parts. The first part provides a general review and a brief assessment of students' learning outcomes from courses in the BBA finance program. The second part provides an in-depth analysis and assessment of learning outcomes of a core course: Investment Finance (Bus Adm 451).

Part 1: A General Review and Assessment of Learning Outcomes of Required and Elective Courses in BBA-Finance Curriculum

Prior to taking courses required for finance majors, students have to complete the course Bus Adm 350: Principle of Finance, required for all BBA students (regardless of majors). This is the first-level finance course and is the foundation for three more levels of courses in the BBA-Finance curriculum (based on the sequencing of prerequisites). In the interest of clarity, we list immediate below the courses according to their levels.

Level I:	Bus Adm 350: Principles of Finance
Level II:	Bus Adm 450: Intermediate Finance Bus Adm 455: Financial Institutions Bus Adm 456: International Financial Management
Level III:	Bus Adm 451: Investment Finance Bus Adm 453: Corporate Finance Seminar Bus Adm 458: Venture Finance Bus Adm 459: Finance Internship
Level IV:	Bus Adm 454: Advanced Investment Finance Bus Adm 457: Financial Modeling

Level I course

Bus Adm 350: Principle of Finance

Learning outcomes:

In this course students obtained basic knowledge on subjects related to financial management including financial statement analysis, financial markets, interest rates, return and risk in investments, bond and stock valuation, cost of capital, and capital budgeting.

After taking this introductory course, students intended for finance major can move on to the next (second) level of finance courses. They are:

Level II courses

Bus Adm 450: Intermediate Finance (required for finance major),
Bus Adm 455: Financial Institutions (required for finance major), and
Bus Adm 456: International Financial Management (elective).

Learning outcomes of these courses are outlined below.

Bus Adm 450: Intermediate Finance

Learning outcomes:

Understand capital asset pricing theories, perform in-depth financial statement analysis, bond valuation, equity valuation, cash flows estimation and analysis, capital budgeting, analyzing capital structure, dividend policy, and leasing financing.

Bus Adm 455: Financial Institutions

Learning outcomes:

Understand elements and characteristics of money markets, bond markets, stock markets, Federal Reserve systems, options markets, futures markets, foreign currency markets, commercial banks, bank regulation, bank management, swaps markets, savings institutions, securities firms, insurance companies, mutual funds, and pension funds.

Bus Adm 456: International Financial Management

Learning outcomes:

1. Understand various aspects of multinational financial management;
2. Understand currency exchange rate determination, currency markets, and interest rate arbitrage;
3. Measure a company's currency exposure and methods for exposure hedging.

After the three courses at the second level, students can move on to the third level of study. At this level there are again three courses, all of which require the course Intermediate finance (Bus Adm. 450) as the immediate prerequisite. These courses are:

Level III courses

Bus Adm 451: Investment Finance (required for all finance majors)
Bus Adm 453: Corporate Finance Seminar (elective)
Bus Adm 458: Venture Finance (elective).

Learning outcomes of these courses are outlined below.

Bus Adm 451: Investment Finance

Learning outcomes:

Obtain a broad understanding of investment theories and practice. Students (i) are familiar with a variety of financial securities commonly used, (ii) understand theoretical foundation and applications of important asset valuation methods, and (iii) appreciate the principles of portfolio management.

Bus Adm 453: Corporate Finance Seminar

Learning outcomes:

Students work through case studies to understand the principle and practice of corporate financing. Topics covered include value creation for shareholders, financial forecasting, estimation of cost of capital, capital budgeting, setting dividend policy, initial public offering, debt versus equity financing, hedging foreign currency risk, financial innovation, and valuating the enterprise for sale.

Bus Adm 458: Venture Finance

Learning outcomes:

Understand key institutional features of new venture finance, able to assess the financial needs of a new venture, to value a new venture and financial claims on it, and to analyze information and incentive structure of financial contracts between entrepreneurs and outside investors.

Beyond the third level, students have the choice to move on to two fourth-level courses, both of which require Bus Adm 451: Investment Finance as the prerequisite. These courses are:

Level IV courses

Bus Adm 454: Advanced Investment Finance (elective)

Bus Adm 457: Financial modeling (elective)

The learning outcomes of the two courses are outlined below.

Bus Adm 454: Advanced Investment Finance

Learning outcomes:

Students obtain knowledge about (i) the structure of markets and pricing models of derivatives securities, which include options and futures on bonds, stocks, and

commodities, and (ii) the principles and techniques of hedging strategies useful for arbitrage and risk management using these instruments.

Bus Adm 457: Financial Modeling

Learning outcomes:

Develop and apply computer-based financial models drawn from corporate finance and investments by designing, building and testing financial and investment models with state-of-the-art features and complexity.

Besides the four levels of finance courses described above, there is a separate elective course in the area of real estate finance. It is Bus Adm 481: Real Estate Finance (elective).

Bus Adm 481: Real Estate Finance

Learning outcomes:

Do analytically oriented treatment of topics related to residential and commercial real estate finance, that include: (i) market fundamentals and financial mathematics, (ii) real estate financing products, and (iii) analysis of lending decisions and analysis.

On a separate track, Bus Adm 459: Finance Internship can be taken by students with finance major and counts toward business electives. This course requires students to have completed at least a 400 level finance course before registering.

Overall Assessment

Overall speaking, the BBA-finance curriculum offers students courses on a broad spectrum of subjects and in several levels of depth and sophistication. All courses hold students against a high standard of performance through the required exams, homework, projects, and classroom participation. The group of courses as a whole, in combination with continuous updating and modifications of course contents by each faculty member teaching these courses, in assessment committee members' view, clearly assure students in BBA-Finance to achieve their learning goals as stated in the mission statement placed in the main text Section 3.2.

Several new subjects, however, are planned to be added to our curriculum in the future, that include mutual fund management, applied security analysis, financial risk management, and banking and insurance. The contemplated curriculum expansion and revisions are given in Appendix D.

Part 2: In-Depth Assessment of Students' Learning Outcomes for Bus Adm 451: Investment Finance

As explained in the main text Section 3.4, a special in-depth review and assessment of the core course Bus Adm 451: Investment Finance is provided in this part.

A set of materials relevant to the discussion in this review is attached to the end of this part. It includes a syllabus and three parts of a term project assignment. The term project is to ask students to construct, monitor, and modify as needed, an investment portfolio with an initial funding of \$500,000 for an intended client, using the *Stock-trak* website portfolio simulation service. The setup is almost identical to a real life brokerage account with internet trading capability.

The guideline and basic principle for investment portfolio management was explained to students in the first class. It gave students strong incentives to learn how to operate in a real world setting when they just started to pick up knowledge and methods for investment analysis from course materials. Some suggestions were also provided to students about how to get the portfolio started when they practically knew nothing about real investments, or in that regards, stock markets.

Students were shown where and how to obtain useful financial information among various websites and publications in the library. As soon as they were able to connect to the vast database, students started to try out their investment instincts and licks, and implemented the analysis and techniques they had just learned from the course. Many learned from their mistakes and quite a few would forever remember the blunders they made in some unfortunate incidents. Those innocent mistakes could have been extremely costly if had happened in real life.

Students handed in their project plan in the third week of class. The instructor promptly went over the plan and made suggestions for corrections and modifications. Students were then asked to submit a revised plan, if revisions were needed. The process continued till each student produced a satisfactory version of the plan. The implementation of the plan on the *Stock-trak* was then in order. Students were then taught how to do stock analysis and how to keep their emotions in check and stayed disciplined.

In the process, events that had important bearing or visible impacts on the financial markets were brought up for discussions in the class. When seeing their portfolios affected strongly by the events, students were eager to learn why, and how to take proper actions.

The term project generated an ideal environment for students to learn what investing really is in real world and how to handle various often unexpected situations.

By the end of the semester, most students gained substantial confidence in operating the website system and had a clear appreciation of the behavior of financial markets. At the

least, they would know what the proper things to do, and what the things to avoid, when someone comes to them for help in investment planning and management.

Based on the grading criteria outlined on the project assignment sheet (page 23 at end of this appendix, lower portion), students were graded for their performance in the project. Except two cases, all students who completed the course (spring 2004, sections 001 and 003; 66 students in all) obtained a score between 70 and 100, out of the maximum of 100 points, with the overall average score for the project to be 86.5. This is an indicative of students' favorable learning outcomes.

The following are a sample of direct citations from students' course evaluation forms and project reports:

“Probably the most valuable finance class I have taken. Stock-trak was a very valuable tool.”

“I have definitely learned a lot from this exercise. Getting your hands on the actual trading is very exciting.”

“I have learned so much throughout this semester that it is hard to sum it up into a few paragraphs.”

“I am thankful for this opportunity in this class, because of it I know what details I need to focus on when facing ‘real’ clients and ‘real’ investment opportunities. I will continue to carry the skills I learned in this project and class to the next level.”

“I really enjoyed this project and can honestly say that I have gained experience in this course that I know I will use later in my career. It is the most “real world” exercise I have ever had to do in college and I greatly appreciate Professor’s encouragement throughout the semester on this project.”

“I think I have gained a great deal of insight about investment strategies from the Stock-trak exercise.”

“I finally get to put all the knowledge that I have learned in college to something that gets me results such as the stock simulation.... Also this simulation gives me a good look into the world of investing and encourages and excites me to do more investing.”

“This portfolio is probably the closest to a real-life exercise I have done during my studies at UWM. It has been a great opportunity for us to be able to understand how trading works, and has probably kept most of us from making costly mistakes in the future.”

University of Wisconsin-Milwaukee
SCHOOL OF BUSINESS ADMINISTRATION

BUS ADM 451: Investment Finance (Section 001)

D. Hsu /spring 2004/

Office: BUS S430B **Phone:** (414)-229-3828 **e-mail:** hsu@uwm.edu

Meeting: Tuesday & Thursday 11:00 a.m. – 12:15 p.m., BUS N120

Office Hours: Tuesday & Thursday 12:15 p.m. – 1:00 p.m., other times by appointment

Course Objectives: This course is to provide a broad introduction to investment theories and practice. It will help you (a) familiarize with a variety of financial securities commonly traded in equity, fixed-income, and derivative markets; (b) understand the theoretical foundation and practical applications of important asset valuation methods; and (c) appreciate the principles of portfolio management.

Prerequisites: Junior standing; **216-450 completed or concurrent registration.** These requirements will be enforced.

Background: You need a sound understanding of basic statistics and the ability to handle, both algebraically and computationally, means, variances, covariances and regression models. Review your BUS ADM 210 course materials before we reach Chapter 6.

Textbook: Zvi Bodie, Alex Kane, and Alan J. Marcus (5th ed., 2003), *Essentials of Investments*. McGraw-Hill Irwin: Boston.

Other Readings: Additional articles and reference materials will be distributed and discussed in the class. It is highly recommended that you keep up with developments in financial markets by regularly reading the *Wall Street Journal*, *Investor Business Daily*, or *Barron's*. The weekly *Barron's* is especially helpful in providing concise and timely financial analyses, and extensive price quotes.

Project: A portfolio management project will be assigned, explained, and discussed throughout the semester. Each student is required to sign up for the STOCK-TRAK investment simulation service (\$18.95 per account for up to 100 trades, with an initial fund under management of \$500,000; additional \$12.00 for another 100 trades). The account will handle trading from **February 9**, 2004 through **April 30**, 2004 (12 weeks in all).

Homework: Important exercise problems from the textbook will be assigned every week for your own practice. The solutions will be distributed in class.

BUS ADM 451: Investment Finance (Section 001)
D. Hsu /spring 2004/

<u>Date</u>	<u>Topic</u>	<u>Assignment</u>
1/27, 1/29	Introduction and Project Assignment	Chapter 1
2/3, 2/5	Global Financial Instruments	Chapter 2
2/10, 2/12	Securities Trading	Chapter 3
2/17, 2/19	Mutual Funds & Investment Companies	Chapter 4
2/24, 2/26	Investors and the Investment Process	Chapter 17
3/2, 3/4	First Midterm Test	
3/9, 3/11	Risk and Return	Chapter 5
3/16, 3/18	Efficient Diversification & Globalization	Chapter 6, 21
3/23, 3/25	<i>Spring Recess (NO CLASS)</i>	
3/30, 4/1	CAPM and APT	Chapter 7
4/6, 4/8	The Efficient Market Hypothesis	Chapter 8
4/13, 4/15	Second Midterm Test	
4/20, 4/22	Bond Prices and Yields	Chapter 9
4/27, 4/29	Managing Bond Portfolios	Chapter 10
5/4, 5/6	Macroeconomic & Industry Analysis	Chapter 11
5/11, 5/13	Equity Valuation	Chapter 12
5/18	Final Test (Tuesday, 10:00 a.m. – 12:00 noon, regular classroom)	

Grading weights: first midterm test: 25%; second midterm test: 25%; final test: 25%;
portfolio project: 25%

BUS ADM 451: Investment Finance

Term Project (initial phase due February 10, 2004)

You are given \$500,000 of imaginary money and are asked to manage it for a "hypothetical" person. You can choose a particular stereotype for the person, such as young and wealthy professional, old and retired, middle-aged couple with teenage kids going to college soon, etc. See Part A of the attached "Further Guideline" for some suggestions.

Set up an investment guideline for the "person" by outlining a sensible set of goals, objectives, and investment strategy and policy. Again, see the "Further Guideline" Part B for details.

Investment vehicles can include cash equivalents (money market funds, i.e., MMF), stocks, bonds, options, futures, real estate, mortgage-backed securities, precious metals, mutual funds (stock or bond funds), foreign currencies, and foreign varieties of the above. You will learn or review a great deal about them in this course. At this stage you need to decide first the strategy in allocating the money in several of the major asset classes, namely, stocks, bonds, and cash equivalents. You can later decide which specific sectors/securities you would like to select for the portfolio. So, just set up an initial plan, take your time to figure out details later. For that reason you may park some of the fund in cash (that is, simply leave it alone in the account) for the time being. You will have plenty of opportunities to modify your portfolio throughout the semester. Your knowledge and understanding about investing in the real world will improve as the class moves on.

To make bookkeeping matters simple, you are required to sign up for the investment simulation service provided by STOCK-TRAK. Instructions for registration for the service will be provided in the class. The account's active period is from **2/9/04** through **4/30/04**, 12 weeks in all. The service's web site address is: <http://www.stocktrak.com/>. The cost is \$18.95 per account, with a limit of 100 trades. Those who exceed the quota may pay additional \$12.00 for another 100 trades. The initial cash balance in the account is \$500,000. (**Note: all un-invested fund in the account is automatically swept into a Money Market Fund, chosen by STOCK-TRAK, and earns prevailing money market rates.**)

For this initial phase, **you are asked to do Part A, B, and C** as explained in the "Further Guideline" statements attached to this project assignment. Part D of the guideline will be required later after you have learned enough from course materials as we move on. In your portfolio construction, you are asked to use only the securities included in the STOCK-TRAK asset database, which covers a vast majority of securities available in the real world. (The only category that is somewhat restricted in terms of the variety for choice is corporate bonds.)

Submit your statement about the hypothetical person, his/her investment goals, objectives, strategy and policy (and constraints and preferences, if any), along with the initial list of the asset allocation (and some preliminary choice of securities, if you are able to decide on them by the submission time) on **February 10, 2004**. ***A quick preview of materials in the textbook (by Bodie, Kane & Marcus, 5th ed.), Chapter 17, will help you better conduct this portion of the project.*** I will discuss the progress of your portfolios throughout the semester.

You will be asked later to submit a **mid-term** and a **final** portfolio status report on your project with the due dates to be announced at appropriate times.

The grading of the project will be based on the appropriateness of the strategy and policy relative to the investment goal, and the consistency between the strategy and the actual implementation and execution of such a strategy.

You are encouraged to check the performance of your portfolio often, but **no fewer than once a week, throughout the 12-week investment period**. This can be done by downloading onto a word file, or printing out a hard copy, of “account details” from the Stock-Trak account. The weekly records will form a solid basis for your writing of the two status reports (one for the midterm, the other for the final) outlining the performance of your portfolio over this period. Although you are **not** required to submit the weekly recording, the data will help you much better recall, and explain, what you will be doing in your learning and decision making process over the period.

A special note is in order. Because of the extra-wide format of the “account details”, you need to pay special attention to **set your printer on “landscape” format when printing the records**. If your computer (or printer) is not able to print the records sideways (in the “landscape” orientation), find another one that can. A “portrait” format will miss some important records on the right margin (about one inch) of the table.

Since the market environment is constantly changing, I would expect you to make timely and appropriate adjustments to the portfolio when necessary. It may reflect your improved understanding and knowledge on the subject as you learn more in the course.

A more specific guideline for grading is stated below.

Grading Guideline for the Term Project

1. Proper specification of portfolio policy and strategy (20%)
2. Proper implementation of portfolio strategy and revision of securities holdings (30%)
3. Clarity of presentation (including tabulation) of midterm and final performance records, and explanations of reasons and rationale for securities selection (25%).
4. Efforts in improving securities selection and in understanding the behavior of securities markets (regarding market indices, sectors, and individual securities) (25%)

Further Guideline for the Portfolio Management Term Project

The following guideline is provided to clarify and enhance the main structure of the assigned term project.

Part A: Client Profile

Provide the client's general profile including: age, profession, family composition (number of children and their ages), income level, health condition, attitude toward investment, degree of risk aversion, literacy in investing, ideas about retirement, and the source of the \$500,000 under management (e.g., as inheritance, lottery winnings, business profits, savings, funds in the IRA account, lump sum payment from pension plans, etc.). Based on these characteristics, indicate the importance, or the role, of the fund in the client's financial planning, that may include purchase of a house, children's college education costs, capital for starting up a business, retirement living costs, etc.

Part B: Investment goals, objectives, strategy, and policy

Goals: (1) **Near-term: house purchase, education financing, starting up business, supplementing current living costs, etc.**
(2) **Long-term: financial independence, early retirement, comfortable retirement life, die rich, etc.**

Objectives: **Match with the goals stated above and make projection for accumulating a certain amount of wealth (or at a certain growth rate) at some specified future times to fulfill the near-term and long-term goals. You may provide some, however rough, estimates about these targets.**

Strategy: **Based on the goals and objectives described above, you can select one, or a combination of two or more, of the major categories of strategy stated below.**

- (1) **Aggressive growth (AG): maximal capital appreciation at a great amount of risk;**
- (2) **Moderate growth (MG): high capital appreciation at a moderately high degree of risk;**
- (3) **Conservative growth (CG): medium pace of capital appreciation at an average degree of risk;**
- (4) **Growth and Income (GI): combining growth (either moderate or conservative) with fixed income securities. This is to balance between the needs for capital appreciation and steady income streams.**
- (5) **Income (I): mainly for providing steady income for post retirement living expenses. Or, in special situations, this strategy can be used to park funds in a safe haven during periods of extreme volatility in financial markets (such as in the fall of 1998 during the worldwide financial crisis, or in the spring of 2000 shortly after the burst of the hi-tech stock bubble in the U.S.)**

Policy: Provide a broader guideline for selection, or *change* overtime, of the portfolio investment strategy because of client's aging or other natural causes, or in case of unexpected circumstances (e.g., client's loss of job, failing health, and divorce), or in case of extreme financial market conditions (such as the conditions in the U.S. in 1930's, in Japan since 1990, and in South Asian countries in 1998). Formulate a useable rule in determining the need and the corresponding change of the investment strategy when appropriate.

Part C: Asset Allocation (among major asset classes)

Specify the percentage distribution of fund among stocks, bonds, and cash equivalents. The five categories of strategy (from aggressive growth to income) have the percentage of allocation in stocks arranged in descendent order from a possible 100% to 0%. The exact percentage is a function of the portfolio manager's projection of market performance, in both near and long term. The allocation of fund between bonds and cash equivalents can be more flexible depending on the level and shape of the term structure of interest rates (or the bond yield curve.) More details about these will be discussed in the class.

Part D: Sector/Industry Allocation and Selection of Individual Securities

This part is a lot more complicated and flexible than the first three parts. It requires more judgment and experience. The way the market sector leadership rotates has been notoriously unpredictable. It often takes place in a dramatic fashion. The selection of industries and individual stocks rely heavily on one's projections of technological developments and changes in global economic/market environments in the next few years, or decades. We will discuss these subjects in the class.

Examples of index mutual funds, index fund trusts, sector fund trusts, actively managed mutual funds, individual stocks, bonds and other fixed income securities are provided in a separate handout sheet.

(Note: when writing your initial phase of the project, i.e., the project proposal, please follow closely the format of the three parts stated in this guideline. Specifically, label clearly Part A, with the title "Client Profile", Part B, with the subsections "Goals", "Objectives", "Strategy", and "Policy" listed separately, and Part C, with the title "Asset Allocation". Any unlabelled, confusing, and messed up statements will be returned to you for re-write.)

The following assignment is one part of the **term project**. This assignment is **due on March 30, 2004**.

Assignment: A Post-midterm Status Report of your Investment Portfolio.

You are asked to report the value and compute the percentage return of every investment you have made for the term-project portfolio up to 3/19/04. (You can use the Stock-Trak's "account details" at the market close on 3/19/04 to construct a table for this report. Details of this table are stated below.)

Take this opportunity to review the progress you have made in your portfolio and gain a better understanding of the institutions that issue (or manage, in the case of mutual funds) the securities, and the factors that affect the returns. Do a critical review of the portfolio, after you have now learned more about the investments you have chosen for your client, and make appropriate remarks.

Use the closing prices of **March 19, 2004** (the third Friday of March) to do your portfolio evaluation.

You are asked to construct a table (if possible, using the MS Excel Program) listing the following information for each security you have brought into your account. Place the name of a security on the first column of the table and list the required information related to the security on the columns to its right, forming ten columns in all.

- (1) Name of the security
- (2) Date of purchase (or of sale, if a short sale)
- (3) Quantity (# shares, units, or contracts)
- (4) Per unit price
- (5) Total cost ([item (3) × item (4)] + commission)
- (6) Date of record (enter 3/19/04, if the security remains in the portfolio, and enter the date of sale if it has been sold)
- (7) Per unit price on the date of record (the closing price of 3/19/04; in case the security has been sold, enter the price sold at)
- (8) Value of the position (item (7) × item (3), minus commission if the security has been sold)
- (9) Profit / loss (item (8) – item (5))
- (10) Percentage return (item (9) / item (5))

If only one part of the security position has been sold, separate the sold portion from the unsold portion and list them separately in the table. For example, assume that you initially purchased 500 shares of IBM stock on 2/9/04. But you sold 200 shares on 2/16/04 and keep the remaining 300 shares through 3/19/04, the reporting date. In this case, the original lot of 500 shares is divided into two smaller lots, one having 200 shares, the other 300 shares. Then report the two lots as if they were two separate purchases on 2/9/04, and prorate the commission cost.

List the "cash" holding, and "accrued interest", if any, as of 3/19/04, at the bottom rows of column (8) ("value of position") of your table, with the label "cash" and "accrued interest" displayed on column (1) (security name) of the same bottom rows. Also indicate beneath the performance table the **total value of your portfolio on **3/19/04** and the **overall percentage return**. The total value of your portfolio is the number listed at the bottom of your account details, labeled "Portfolio Value". The overall percentage return is the percentage profit (loss) relative to the beginning value of the account (\$500,000). In other words, divide the ending portfolio value by \$500,000, and subtract 1 from the ratio.**

You are also asked to write an essay (2 to 3 pages) making remarks on the following matters:

1. Brief reasons for securities selection.
2. Your understanding of the general economy, financial markets, and the securities you have invested in.
3. Experience from the Stock-trak exercise.
4. What you plan to do for the remainder of the trading period, which will end on April 30, 2004.

Additional Notes

There are some issues that you may encounter in your Stock-trak operations. The following remarks may help you resolve them.

1. If you have cash dividend income, add a footnote to the item “cash” (at near the bottom row of the table described above) indicating briefly the source(s) of the dividend(s), and the amount from each source. Your Stock-trak account automatically lumps all of your cash dividends into the “cash” pool.
2. When you sell short, pose a negative sign on the “quantity” (of securities) column (i.e., column (3)) for the security. The remaining columns associated with this security are constructed algebraically the same way as for long positions. The negative “quantity” (of number of units) now replaces the usually positive quantity.
3. Per unit prices of foreign securities are quoted in their local currencies, but your payments (for the original purchase) and position values at subsequent dates of record are expressed in U.S. dollars. So the seeming discrepancies in the numbers are because of different currency units.
4. The “commission” charge posed for a bond in Stock-trak account’s transaction records includes both the \$25 actual commission and the accrued interest. So the true cost of the bond is the total bond value, when purchased, plus \$25. Accrued interests of all of the bonds held in your Stock-trak account are swept into a separate item (pool) listed as “accrued interest” at near the end of “account details” display.

Attach a copy of your “account details” statement at the market closing of 3/19/04, downloaded from Stock-trak website. Because of the extra-wide screen designed for the Stock-trak, you are advised to print your “account details” statement in the ‘landscape’ format. The time to do the download will be between late evening March 19 and the market open the Monday after. Make sure that the account statement has been updated for March 19, by comparing the price quotes in your Stock-trak account with those on other financial websites.

The following assignment is the final phase of the investment portfolio term project. This assignment is **due at the time of your final examination (5/18/04 Tuesday)**.

Assignment: Conclusion of the term project of investment portfolio

You are now asked to prepare and submit a final status report of your investment portfolio. In the report, you are expected to report the percentage return of every investment you have made during the entire term project period ending at the market close of 4/30/04.

Follow the format as described in the assignment for “post-midterm status report” to construct a table consisting of ten columns listing information of each investment security. You do **not** have to close out any of your positions on or prior to 4/30/04 if you do not plan to do so. Similar to the post-midterm report, you are asked to list the per unit price of the security, the value of the position, and its percentage return **at the closing of 4/30/04** (replacing the report date of 3/19/04 which you used in the midterm report). I expect that most of you will use your midterm report as the base and add on to it records of new investment activities, and update prices and position values of the securities that you continue to hold after 3/19/04. So the final report is essentially an expanded and updated version of your midterm report.

Remember to **list the final “cash” holding, and accrued interest, if any, at the bottom rows of column (8)** (“value of position”) of your table, with the label “cash” and “accrued interest” displayed on column (1) (security name) of that same bottom rows. Also indicate right beneath the performance table the **total value** of your portfolio on 4/30/04 and the **overall percentage return**.

The Stock-trak account trading activity will cease at the market close of 4/30/04. The “account details” files will stay in Stock-trak’s internet server for just a few more days. So I suggest that all of you **download your “account details” shortly after the market close of 4/30/04** (do it during the weekend after that date). (Failure to do so may cause you lots of hassle in reconstructing the file based on other sources of price quotes.) Please attach to your final report a copy of your “account details” statement for 4/30/04. **Be sure to print the statement in “landscape” (turning the page sideways) format on your printer.** (The regular “portrait” format will miss the right margin by about an inch leaving out the most important part of the position value listing.)

As in the post-midterm report, you are asked to write an essay making remarks on the following matters:

1. Brief reasons for securities selection. Focus on those securities that you acquired after the reporting date (3/19/04) of the post-midterm report.

(Continued on back page)

2. Your understanding of the general economy, financial markets, and the securities you have invested in.
3. Experience from the Stock-trak exercise.
4. If you were given six more months to continue to do investment, what would you plan to do?

At this point you are also asked to do an overall review of your portfolio performance and to make comments on the virtues and deficiencies of your portfolio. Given what you have learned from this course, do you now have a better idea about what you should have considered when you first constructed the portfolio? If now someone comes to you and asks you to help manage a portfolio of substantial sum, would you do things differently as compared with what you did at the beginning of the semester?

Appendix C

Learning Outcomes of Students in MS-Finance Program

This appendix includes two parts. The first part provides a general review and a brief assessment of students' learning outcomes from courses in the MS-Finance program. The second part provides an in-depth analysis and assessment of learning outcomes of a core course: Investments (Bus Adm 771).

Part 1. A General Review and Assessment of Learning Outcomes of Courses in MS-Finance Curriculum

Based on the sequencing of prerequisites, financial/economics courses in MS-Finance can be grouped into three levels. They are listed below.

- Level I:
 - Bus Mgmt 705: Corporate Finance
 - Bus Mgmt 710: Economic Analysis for Managers
 - Bus Adm 751: Analysis of U.S. Business Environment
- Level II:
 - Bus Adm 713: Business Forecasting Methods
 - Bus Adm 771: Investments
 - Bus Adm 774: Global Financial Management
 - Bus Adm 775: Financial Strategy
 - Bus Adm 778: Financial Institutions and Markets
- Level III:
 - Bus Adm 772: Portfolio Management
 - Bus Adm 773: Options and Futures
 - Bus Adm 777: Advanced Corporate Finance
 - Bus Adm 779: Fixed Income Securities
 - Bus Adm 795: Seminar-in-Management (Financial Modeling)
 - Bus Adm 795: Seminar-in-Management (Venture Finance)

The learning outcomes of each of the above courses are stated below.

Level I courses

Bus Mgmt 705: Corporate Finance

Learning outcomes:

Understand financial management in a modern corporation including financial manager's responsibilities, the analytical tools used by the manager, and the major decision criteria used in the capital acquisition and allocation process.

Bus Mgmt 710: Economic Analysis for Managers

Learning outcomes:

Obtain a thorough understanding of the market structures and pricing models used in economics and their applications to corporate decision making under uncertainty and constraints.

Bus Adm 751: Analysis of U.S. Business Environment

Learning outcomes:

Understand theories and methods for analysis of inflation, interest rates, monetary and fiscal policies, in relation to business cycle, financial markets and corporate decision making.

Level II courses

All level II courses, except Bus Adm 713 (Business Forecasting Methods), require Bus Mgmt 705: Corporate Finance as a prerequisite.

Bus Adm 713: Business Forecasting Methods

Learning outcomes:

Understand and use in real world environment various modern business forecasting methods in support of managerial decision making and planning, through the help of the state-of-the-art computing capability.

Bus Adm 771: Investments

Learning outcomes:

Apply financial theories to investment management, including analysis of return and risk, portfolio diversification, asset allocation, utilization of trading systems, valuation of equity and fixed income securities, formulating and executing portfolio strategies, and conducting performance evaluation.

Bus Adm 774: Global Financial Management

Learning outcomes:

Able to apply the analytical tool useful for business decision making in the international arena, and to become operational in a bank, firm, or investment fund operating in a global environment.

Bus Adm 775: Financial Strategy

Learning outcomes:

Able to conduct in depth applications of financial theory in a company's financial strategic framework in carrying out various corporate financing tasks, mergers and acquisitions, joint ventures, and valuation of emerging market investments.

Bus Adm 778: Financial Institutions and Markets

Learning outcomes:

Understand the role and functions of various financial institutions and markets in relation to interest rates, the federal reserve board and its monetary policy, with an emphasis on the valuation of various financial instruments and their role in the risk transference process.

Level III courses

All level III courses require Bus Adm 771 (Investments) as a prerequisite.

Bus Adm 772: Portfolio Management

Learning outcomes:

Understand the principles, instruments, and analytical techniques for managing investment portfolio and apply them to real world environments.

Bus Adm 773: Options and Futures

Learning outcomes:

Understand the markets and pricing models of derivatives securities, such as options, futures, foreign currency instruments, and other newly developed financial products, and employ these instruments for the formulation and execution of hedging strategies.

Bus Adm 777: Advanced Corporate Finance

Learning outcomes:

Examine and appreciate the modern theory of corporate finance including market efficiency, corporate investment decision, capital structure, financing vehicles, risk management, corporate restructuring, and corporate governance.

Bus Adm 779: fixed Income Securities

Learning outcomes:

Understand the intricacies of fixed-income investments, including their features, terminology, markets, and valuation, using state-of-the-art valuation models.

Bus Adm 795: Seminar-in-Management (Financial Modeling)

Learning outcomes:

Understand and apply computer-based financial models drawn from corporate finance and investments by designing, building and testing financial and investment models with state-of-the-art features and complexity.

Bus Adm 795: Seminar-in-Management (Venture Finance)

Learning outcomes:

Understand the key institutional features of new venture finance. Able to assess the financial needs of a new venture, to value a new venture and financial claims on it, and to analyze information and incentive structure of financial contracts between entrepreneurs and outside investors.

Overall assessments

The curriculum listed above provides a broad array of subjects and depths of study for students to choose from. The quality faculty, with research expertise in each respective area, and the high standard of performance students are held against in all courses through the required exams, homework, projects and classroom participation, enhances students' chance of achieving their learning goals as stated in the program's mission statement included in Section 4.2 of the main text. Throughout the past five years, the contents and teaching methods in each of the courses listed above have been constantly updated and modified to keep up with developments in financial markets and to take advantage of the advancement of internet and media technology.

The assessments of students' learning outcomes by participating faculty members are favorable and positive. Continuous improvements of the curriculum in the future are a certainty. Faculty members in the finance area are confident and enthusiastic in taking up the challenges coming their way.

Part 2. In-Depth Assessment of Students' Learning Outcomes for Bus Adm 771: Investments

In the main text Section 4.4, several reasons for choosing the course Bus Adm 771 for an in-depth review and assessment have been given. Besides those reasons, in part 1 of this Appendix, we indicate that course Bus Adm 771 is the gateway course (prerequisite) for all level III courses. It can be effectively used to gauge an important part of students' learning experience and outcomes for the MS-Finance Program.

In this course, besides studying the textbook, lecture materials and assigned reading materials aiming at the learning goals described in part 1 of this appendix (page 31), each student is required to author an analyst report on two companies of his (her) choice, with the purpose to construct an arbitrage portfolio (buying one and selling short the other). (See the documents attached to this part of the appendix for a complete description.)

The project has dual purposes. First, to require students to put together what they have learned from this course and all previously taken finance courses to conduct a thorough and sound analysis of the target companies. Second, to require students to exercise their knowledge and skills in finding properly paired stocks in the application of a supposedly low risk arbitrage strategy. It tests students' sophistication and ability to apply investment theories and models in a real world environment. It enhances students' chance in achieving their learning goals of becoming competitive in the investment service field.

Among the 22 students who completed the course (spring 2004), 10 obtained "excellent" grade on the project report. Among the others, 7 received "good" and 5 got "fair". Overall, students demonstrated their competence in authoring a decent analyst report and showed their credible judgment in applying a basic arbitrage strategy in real world setting. A review by the assessment team (Hsu and Wang) has confirmed the adequacy of the use of the project as an assessment tool and students' competence in engaging in financial analysis and investment advisory.

**Investments (216-771-001)
Spring 2004**

Instructor: Qinghai Wang

Office: SBA S436

Phone: 229-4775

E-mail: wangq@uwm.edu

Course Material on G-drive: Wang_Q/771

Office Hours: Tuesday and Thursday, 3:30 pm -5:30 pm, or by appointment.

Class Meetings

Wednesday, 5:30 pm - 8:10 pm in BUS S311

Course Resources

Textbook (required): Bodie, Kane and Marcus (BKM), Investments, 6th edition.

Lectures: Lecture notes will be available on the G-drive

Recommended:

(1) Wall Street Journal or other financial newspaper.

(2) Malkiel, Burton, "A Random Walk Down Wall Street", W. W. Norton &Co, 2000.

Prerequisites

Students are expected to have completed the following courses: 217-705 and 217-709. Students should be comfortable with probability, statistics and regression analysis at the level of 217-709.

Course Description

The course is designed to provide foundation for the fundamental concepts in investment, and to apply finance theory to the issues and problems of investment management. The course will cover the fundamental principles of risk and return, diversification, asset allocation, efficient markets and students will understand market trading structures, valuation of equity and fixed income securities, portfolio strategies and performance evaluation methods. Investment decision-making skills will be developed through case studies, problem assignments, classroom lectures and discussions.

Grading

The final grade for the course will be determined as follows:

Homework/Case Study	30%
Midterm	30%
Final	40%

Exams

Exams will cover material from lectures, assigned readings, and homework. The final is comprehensive.

Class Participation

Students are expected to prepare for each class using the assignments associated with each class in the outline. Each class will specify discussion points and questions in preparation for the lecture. A series of readings from the textbook or elsewhere will also be indicated and should be prepared in advance. Students are evaluated on the basis of their contribution to lecture discussions and problem analysis.

Lectures

Lecture notes will be posted on the G-drive before each class. The notes provide outline of the course discussion and some details on some selected topics covered. Note that the lecture notes only provide limited coverage on topics discussed in the class, so it is not a substitute for attending the class.

Class lectures will go beyond the scope of the textbook for certain topics. You are also responsible for all announcements made in class—check with your colleagues if you miss class. Class lectures will sometimes involve working through problems. Thus, you should bring a calculator to class so that you may work problems and participate in class.

Homework/Case Study

Four homework assignments will be given throughout the semester. It consists problems and applications to real data. The later are designed to apply techniques learned in the course to real data in investment research and management. Also, the exam questions will be similar to the assigned problems.

There will be one case write-up for this course. Details of this assignment will be provided later.

Practice Questions

I will provide a list of problems for each chapter in the textbook that highlight the important concepts. Although these problems will not be collected, it is strongly recommended that they be done to solidify your understanding of the material (**Incentive**: some problems in the exams will be taken directly from assigned problems).

Class Outline and Assignment Questions

This section is tentative and regularly subject to change.

Week 1 — Introduction and Overview of Investments

BKM chapter 1, lecture notes and assigned readings.

Week 2 — Securities Markets and Trading

BKM chapter 2-3.

Week 3 — Risks and Returns: Concepts and Evidence

BKM chapter 5-6.

Week 4 — Risks and Returns: Asset Allocation and Diversification

BKM chapter 7-8.

Week 5 — Portfolio Analysis and Asset Pricing Models (I)

BKM chapter 9.

Week 6 — Portfolio Analysis and Asset Pricing Models (II)

BKM chapter 10-11.

Week 7 — Market Efficiency and Behavioral Finance

BKM chapter 12-13.

Week 8

- **MIDTERM**

Week 9 — Equity Valuation and Equity Investment Strategies

BKM chapter 18.

Week 10— Portfolio Management and Performance Measurement

BKM chapter 4, 24, 26, 27.

Week 11— Fixed Income: Pricing

BKM chapter 14-16.

Week 12— Fixed Income: Investment Analysis

BKM chapter 14-16.

Week 13— Derivative Market

BKM chapter 20, 22, 23.

Week 14— Derivative Market

BKM chapter 21.

Week 15— Summing Up: selected topics on recent development in investment theory and practice

Handouts

Investments 216-771

Project Assignment – Analyst Report

The Project:

After completing the equity valuation portion of the course, you will be asked to analyze two stocks in a particular industry under the assumption that you must buy one stock and sell the other stock short. Therefore, your goal is to decide which of the two stocks is (relatively) undervalued by the market and which is (relatively) overvalued.

The report is due in week 15.

Details:

- **Provide business description and the competitive positions of the two stocks. Review the performance of the stocks.**
- Risk analysis: Focus on the industry risk and firm specific risk. You can also discuss the trends in the stock market/economy in general and how it might affect the stocks under coverage.
- Financial statement analysis: Assemble balance sheet information (for past three years) and income statements (for past three years) and describe the operating performance of the firm. Provide earnings forecasts. Also compare your forecasts with published analysts' forecasts for the firm.
- Valuation: Using discounted dividend model and relative valuation. Explain your calculations.
- Conclusion: Using the information above, provide the long/short recommendation. Focus on the relative valuation of the two stocks. Does the valuation difference provide a profitable trading strategy?

Please note that this is not meant to be an exhaustive list. You do not have to address every one of the questions that is posed, but you must include enough information to **credibly** back up your recommendation. In evaluating the report, I will focus the analysis, not the recommendations.