

Equity and Capital Markets – Fall 2016

Course:	FIN 4504
Section:	2488
Lecture Times:	Monday & Wednesday– Periods 9-10 (4:05 p.m. - 6:00 p.m.)
Lecture Location:	STZ 104
Textbook:	<i>Essentials of Investments</i> , Bodie, Kane, and Marcus, 9 th Edition, McGraw-Hill/Irwin, 2012 (ISBN: 978-0078034695)
Instructor:	Qing Li
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Office Hours:	Monday & Wednesday: 2:00 p.m. – 3:00 p.m. (or by appointment)
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Course Overview and Objectives

This course focuses on applications of financial theory to investments. It provides an in-depth discussion of fundamental principles related to equity securities and options for both institutional and individual investors. Objectives of this class include understanding

- (a) How security markets function
- (b) Tradeoff between risk and return
- (c) Modern portfolio theory and the Capital Asset Pricing Model
- (d) Efficient market hypothesis and behavioral finance
- (e) Option pricing model: binomial pricing model and Black-Scholes model

Though we consider the viewpoint of corporate investment professionals and institutional equity money managers at times, the primary focus in this course centers on personal financial decisions related to picking stocks and/or equity mutual funds.

Course Prerequisites

You are officially required to have taken and passed FIN 3403. You should already be familiar with the following:

- a) the basic structure of financial statements
- b) basic statistics concepts such as mean, variance, standard deviation, correlation, and covariance
- c) MS Excel (or equivalent)

Textbook

The recommended text for the course is Bodie, Kane, and Marcus, *Essentials of Investments*, 9th Edition, McGraw-Hill/Irwin, 2012. You may also choose to purchase the binder version which will be priced at \$65 less than the hardcover version. However, the resale value of the binder version is close to zero. I will be using the text as a rough guide for the lectures, thus the 8th edition of this text should work fine. However, there is material in the 9th edition which is not covered in the 8th edition. We may cover some of this material in class.

Class Notes

I will make class notes available via the course E-Learning website. However, the notes will not be comprehensive. My intent is to provide you with something that will help you follow the lecture and focus on the important material of this class. I will be using the whiteboard most of the time, so there will be a lot of things discussed in class that will not show up on the class notes but will still be tested within the exam. There will also be things on the notes that I may not cover in class.

Class Attendance

Class attendance is strongly encouraged, but it is not mandatory. Materials presented in class are a blend of the topics covered in the textbook, lecture notes, and other sources; replicating what has been covered in class will be very difficult without regular attendance. Regular presence in the classroom will have a significant impact on your chances to succeed in this class. If you miss a lecture, you need to be in contact with a colleague and both ask for a copy of the class notes and inquire about what transpired in class.

Financial Calculator

You will want to have a calculator with you during lectures and especially for exams. Calculators with text storage capability such as those with graphing features are not approved for exams. A financial calculator, such as the HP-10BII used for FIN 3403, would be perfect. You can also use Excel to do basic calculation in desktop.

Student Accommodations:

Students requesting classroom accommodation must first register with the Dean of Students Office. The Dean of Students Office will provide documentation to the student who must then provide this documentation to the Instructor when requesting accommodation.

Expectations and Grading

Presumably, you are taking this course because you are majoring in Finance and/or you have a keen interest in the subject. As a result, I have high expectations for your effort. Although you will not be graded for your classroom participation, everyone will benefit from engaging in classroom discussion – and your participation will be noticed. Everyone will be more efficient in the classroom if the appropriate materials have been read prior to the lecture. Simply put, the stronger the participation level, the more you will get out of this class.

General Policies: For specific information regarding University of Florida grading policies, please refer to the undergraduate catalogue webpage:

<http://www.registrar.ufl.edu/catalog/policies/regulationgrades.html>

Homework: There will be homework assigned throughout the semester.

Exams: There will be three exams. The final exam will be in class during the last week of classes. There will be **no** make-up exams. If you have a very legitimate conflict with scheduled exam times, please let me know as soon as possible and it may be possible to schedule an early test date. Exams will likely be a combination of multiple-choice, short answer, and written problems. The largest portion of exam points will likely come from written problems. In-class examples, practice problems and homework should serve as good exam preparation tools.

Grade Breakdown:

Item	Weight	Comment
Exam 1	20%	Units 1-4
Exam 2	30%	Units 5-8
Exam 3	30%	Units 9-12
Homework	20%	Each HW will be weighted equally

Re-Grading Policy: If you disagree with an exam/homework grade, please write a short explanation (or justification) of your concern. If you present me with the exam/homework assignment and your explanation during the seven *calendar* days following the day I return the material in class, I will re-grade the entire submission taking your comments into consideration. Please understand, I will re-grade the entire exam/homework assignment in question and the resulting grade may increase, stay the same, or even decrease. The result of the re-grade is the final grade and will be accepted as such by the student as part of my agreement to the re-grade in the first place. Under no circumstance will re-grading be considered outside the seven-day window.

Course Website

The course's E-Learning website will be the primary tool for course communication outside of the classroom. The website will contain important reference information such as schedules, practice problems, lecture notes, and announcements. In certain instances I may also use the class email list for important communications.

Contacting the Instructor

Oftentimes, the best time to get a quick answer to a course related question is to catch me immediately before or after class, or during a break. If that doesn't work for you, or if you have a question that you feel will take more time to discuss, please try to attend my regular office hours. If you are unable to make my office hours, we can arrange an appointment. Email is generally the best way to contact me and I will try to check my email often, even when not in the office.

University of Florida Honesty Policy Regarding Cheating and Use of Copyrighted Materials

Academic Honesty: As a result of completing the registration form at the University of Florida, every student has signed the following statement: "I understand that the University of Florida expects its students to be honest in all their academic work. I agree to adhere to this commitment to academic honesty and understand that my failure to comply with this commitment may result in disciplinary action up to and including expulsion from the University."

Copyrighted Materials and Software Use: All students are required and expected to obey the laws and legal agreements governing copyrighted material and software use. Failure to do so can lead to monetary damages and/or criminal penalties for the individual violator. Because such violations are also against University policies and rules, disciplinary action will be taken as appropriate.

Lectures

The general topics to be covered throughout the course will be broken down into the following units. This is a general outline and the topics discussed may deviate as the course moves through the semester. I will try to incorporate topics that I feel are important for the class to learn while trying to ensure that we hit on topics I feel students are most interested in.

Unit	Description	Reference
<i>Introduction</i>	Course outline/objectives and syllabus	Syllabus
<i>Unit 1</i>	Investments background	BKM Ch 1
<i>Unit 2</i>	Financial Securities	BKM Ch 2
<i>Unit 3</i>	Securities Markets	BKM Ch 3
<i>Unit 4</i>	Mutual Funds/Investment Companies	BKM Ch 4
<i>Unit 5</i>	Risk and Return	BKM Ch 5
<i>Unit 6</i>	Efficient Diversification	BKM Ch 6
<i>Unit 7</i>	CAPM & APT	BKM Ch 7
<i>Unit 8</i>	Efficient Markets & Behavioral Finance	BKM Ch 8/9
<i>Unit 9</i>	Equity Valuation	BKM Ch 13
<i>Unit 10</i>	Performance Evaluation & Portfolio Management	BKM Ch 18
<i>Unit 11</i>	Options Markets	BKM Ch 15
<i>Unit 12</i>	Option Valuation	BKM Ch 16

Tentative Schedule

Below is the expected schedule for our time this semester. It is simply a tentative outline and may change as we progress through the schedule.

Week	Date	Day	Agenda	Other
1	22-Aug	Monday	Introduction/Unit 1	
	24-Aug	Wednesday	Unit 2	
2	29-Aug	Monday	Unit 3	
	31-Aug	Wednesday	Unit 3	
3	5-Sep	Monday	No Class-- Labor Day	
	7-Sep	Wednesday	Unit 4	HW1 assigned
4	12-Sep	Monday	Review 1	HW1 due
	14-Sep	Wednesday	Exam 1	
5	19-Sep	Monday	Statistics Review	
	21-Sep	Wednesday	Unit 5	
6	26-Sep	Monday	Unit 6	
	28-Sep	Wednesday	Unit 6	HW2 assigned
7	3-Oct	Monday	Unit 6	
	5-Oct	Wednesday	Unit 7	HW2 due
8	10-Oct	Monday	Unit 7	
	12-Oct	Wednesday	Unit 7	
9	17-Oct	Monday	No Class	
	19-Oct	Wednesday	Unit 8	HW3 assigned
10	24-Oct	Monday	Unit 8	
	26-Oct	Wednesday	Review 2	HW3 due
11	31-Oct	Monday	Exam 2	
	2-Nov	Wednesday	Unit 9	
12	7-Nov	Monday	Unit 9	
	9-Nov	Wednesday	Unit 10	HW4 assigned
13	14-Nov	Monday	Unit 10	
	16-Nov	Wednesday	Unit 11	HW4 due
14	21-Nov	Monday	Unit 11	HW5 assigned
	23-Nov	Wednesday	No Class--Thanksgiving	
15	28-Nov	Monday	Unit 12	
	30-Nov	Wednesday	Review 3	HW5 due
16	5-Dec	Monday	Exam 3	
	7-Dec	Wednesday	No Class – Reading Day	