

Equity and Capital Markets – Spring 2017

Course:	FIN 4504
Section:	1E96: Tuesday, Thursday Period 3 - 4 (9:35 AM - 11:30 AM) 2113: Tuesday, Thursday Period 7 - 8 (1:55 PM - 3:50 PM)
Textbook:	<i>Essentials of Investments</i> , Bodie, Kane, and Marcus, 9 th Edition, McGraw-Hill/Irwin, 2012 (ISBN: 978-0078034695)
Instructor:	Qing Li, Ph.D., Post Doc Associate, Department of Finance, Insurance & Real Estate
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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) Options and option pricing 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 choose to purchase the 10th edition. The contents are almost the same.

Class Notes

I will make class slides available via the course E-Learning website. You need to read the slides and the relevant chapter in the text book before the class, to better understand the lecture. However, they 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 in the slides but will still be tested within the exam.* There will also be things on the slides that I may not cover in class. Taking notes in class is important and will definitely help you to better prepare for the exam.

Class Attendance

Since most of the course is based on lectures and class participation, your attendance is absolutely critical for your success in learning the material. Hence, part of your grade (10/100) will be based on your attendance and class participation. The more you engaging in classroom discussion, the higher your participation grade will be. ***Each unexcused absence will lower your final grade by 2 points. If you miss 5 classes or more in total, your Class Participation score will be zero.*** If you have a conflict (job interview or medical emergency, which has to be documented) then you should let me know *in advance*. For the absence to be excused, you must (1) contact me by email *prior* to the missed session and (2) receive email confirmation from me that your absence is excused. Late notification will not be accepted.

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. Also, you will be given examples in class that are similar to exam questions. So it is very clear that regular attendance will have a significant impact on your chances to succeed in this 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

Exams: There will be two exams.

Exams will likely be a combination of multiple-choice and written problems. In-class examples, practice problems and quizzes should serve as good exam preparation tools. You will be given practice problems with answers so that you can practice after class (like ungraded homework).

Quiz: You will be given pop-up quizzes, intending to help you review recent materials. These quizzes can be given at any time during the class. The quiz problems will be relevant to what we learn in the class. **Only the best four results of your quizzes will be used to calculate the final grade. Unattended quiz will be graded as zero. NO make-up quiz will be given. Please do not ask.**

Grade Breakdown:

Item	Weight	Comment
Exam 1	30%	Units 1-6
Exam 2	40%	Units 7-12
Quiz	20%	The best 4 grades will be counted in: $4 \times 5\% = 20\%$
Class participation	10%	See "Class Attendance"

Course grade and minimum points:

Course Grade		Minimum Points
A	4	90
A-	3.67	87
B+	3.33	84
B	3	80
B-	2.67	77
C+	2.33	74
C	2	70
C-	1.67	67
D+	1.33	64
D	1	60
D-	0.67	57

Curve

I will strive for a B average in the class. If the class average grade is observed to be lower than B (i.e. 80 points), everyone's grade will be curved up to make sure average will be 80. I will not reduce grades with a curve even if grades are higher than a B average.

Please note that I do not round final course scores. Therefore, a 79.5 will **not** be rounded upward and will be assigned a grade of B-.

Re-Grading Policy: If you disagree with an exam grade, please write a short explanation (or justification) of your concern. If you present me with the exam 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** 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."

The following is from the University of Florida "Code of Student Conduct":

Cheating

The improper taking or tendering of any information or material which shall be used to determine academic credit. Taking of information includes, but is not limited to, copying graded homework assignments from another student; working together with another individual(s) on a take-home test or homework when not specifically permitted by the teacher; looking or attempting to look at another student's paper during an examination; looking or attempting to look at text or notes during an examination when not permitted. The tendering of information includes, but is not limited to, giving of your work to another student to be used or copied; giving someone answers to exam questions either when the exam is being given or after taking an exam; giving or selling a term paper or other written materials to another student; sharing information on a graded assignment.

So that there is no confusion, here are my expectations:

- 1. Students are strongly encouraged to work with their classmates or team mates to study, work problems, and prepare for classes and exams. The goal is to maximize your understanding of the material.**
- 2. Students are expected to include only their own work in the quizzes and exams. Cheating, as defined above, will not be tolerated.**

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.

Lecture no.	Date	Agenda
1	Tuesday, January 9, 2018	Introduction
2	Thursday, January 11, 2018	Unit 1
3	Tuesday, January 16, 2018	Unit 2
4	Thursday, January 18, 2018	Unit 3
5	Tuesday, January 23, 2018	Unit 3
6	Thursday, January 25, 2018	Unit 4
	Tuesday, January 30, 2018	No class-Career Showcase
7	Thursday, February 1, 2018	Statistics Review/Unit 5
8	Tuesday, February 6, 2018	Unit 5
9	Thursday, February 8, 2018	Unit 6
10	Tuesday, February 13, 2018	Unit 6
11	Thursday, February 15, 2018	Unit 6
12	Tuesday, February 20, 2018	Review
	Thursday, February 22, 2018	Exam 1
13	Tuesday, February 27, 2018	Unit 7
14	Thursday, March 1, 2018	Unit 7
	Tuesday, March 6, 2018	Spring break
	Thursday, March 8, 2018	Spring break
15	Tuesday, March 13, 2018	Unit 7
16	Thursday, March 15, 2018	Unit 8
17	Tuesday, March 20, 2018	Unit 8
18	Thursday, March 22, 2018	Unit 9
19	Tuesday, March 27, 2018	Unit 9
20	Thursday, March 29, 2018	Unit 10
21	Tuesday, April 3, 2018	Unit 10
22	Thursday, April 5, 2018	Unit 11
23	Tuesday, April 10, 2018	Unit 11
24	Thursday, April 12, 2018	Unit 12
25	Tuesday, April 17, 2018	Unit 12
26	Thursday, April 19, 2018	Review
	Tuesday, April 24, 2018	Exam 2