



INTERAMERICAN UNIVERSITY OF PUERTO RICO
METROPOLITAN CAMPUS
FACULTY OF ECONOMICS AND ADMINISTRATIVE SCIENCES

SYLLABUS

I. GENERAL INFORMATION

Course Title	: Investments
Code & Number	: BADM 6230
Credits	: 3 credits
Academic Term	: See the calendar
Professor	: Ahmad H. Juma'h, Ph D., CPA
Office Hours	: Through Black-Board
Office Contact Phone	: 787-250-1912 Ext. 2493
E-mail Address	: Through Blackboard mail or jahmad@metro.inter.edu

II. DESCRIPTION

Analysis of the factors and variables on decision making of financial instrument investment. Emphasis on the understanding of techniques and models of capital assets valuation, individually as well as in the context of instruments portfolio and valuation relative to the market. Study of different types of patrimony, debt and derivative financial instruments, as well as, of their respective markets.

Prerequisite: Managerial Finance I (BADM 5190)

III. OBJECTIVES

It is expected at the end of the course, students can:

1. Evaluate the different financial instruments and models in investments' decision making.
 - 1.1 Discuss the factors that affect investment decision making.
 - 1.2 Present financial instruments in investments' decision making.
 - 1.3 Determine the factor influencing portfolio selection.
 - 1.4 Compare between Assets Pricing Model and Arbitrage Model.
 - 1.5 Evaluate the behavioral issues influencing the applicability of financial instrument investment.
2. Evaluate the application of capital valuation in investment.
 - 2.1 Explain the factors affecting the stock market.
 - 2.2 Evaluate the factors influencing stock valuation.
 - 2.3 Evaluate the factors influencing bond valuation.
 - 2.4 Describe the assumptions and limitations of valuations models.
 - 2.5 Analyze the behavioral issues related to stock and bond valuations.
3. Evaluate debt and derivative financial instruments.
 - 3.1 Compare between various theories in evaluating debt and derivative financial instruments.
 - 3.2 Analyze the factors influencing debt and derivative financial instruments.
 - 3.3 Evaluate the application of debt and derivative financial instruments in investment decision making.
4. Evaluate a practical research in investments.
 - 4.1 Identify at least three companies to conduct a research.

- 4.2 Consider the applicability of the learned fundamentals and concepts to the identified companies.
- 4.3 Compare the financial position of the selected companies to an industry index.
- 4.4 Evaluate the overall financial position of the selected companies.

IV. THE COURSE CONTENT

- 1. Investment backgrounds.
 - a. The basic concepts of investments.
 - b. Security market and global investments.
 - c. Analysis of financial statements.
- 2. Financial models in investment.
 - a. The Efficient capital market.
 - b. Portfolio management.
 - c. Asset Pricing Models.
 - d. Multifactor models of risk and return.
- 3. Stocks and bonds.
 - a. Securities valuation.
 - b. Bonds: Analysis, valuation and strategies.
 - c. Stock market and company analysis.
 - d. Technical analysis and portfolio management strategies
- 4. Debt and derivative financial instruments.
 - a. Derivatives market.
 - b. Forward and future.
 - c. Options.
 - d. Swaps and convertibles.
- 5. Practical Research on Investments.
 - a. Identification of a research topic.
 - b. Evaluation of the applied research method.
 - c. Analyzing the literature gap with respect to the selected research topic.
 - d. Evaluation of the research limitations and implications.

V. ACTIVITIES

The applied nature of much of the accounting information and management in MBA Program demands a range of teaching and learning methods. These methods include direct contact with the instructor (using Blackboard), discussion of specific issues with other students, learning, reading, individual and group projects, accessing data using the internet, computer tools and programs (Excel is used most frequently), analysis of companies data. Feedback offered through Blackboard system.

- A. Students should read the material from the course content available in Blackboard and the recommended text(s). Any question, comparison or clarification of a topic or an issue should be delivered immediately to the instructor through Blackboard. Avoid duplications of mails. Your instructor will contact you as soon as possible (normally before three days).
- B. Groups of 3 to 5 students can be formulated to present and discuss some topics in class (through “Blackboard”).
- C. Students are required to search for some topics, data, cases, examples in the internet to complement the class content.
- D. Students are required to solve some cases, quizzes, short essays that might require the use of “Microsoft Excel”.

COMMUNICATION

To avoid problems in accessing the course, you have to be sure that you have good access. Remember the professor can answer issues with respect the material of the course and cannot help you if you have

problem in technology. Communication and technology problems should be notified to Information Technology Center (CIT).

You have to access the course at least two times per week. If you fail to do this, the professor might withdraw you from the course. The instructor may update the course content giving new exercises, quizzes or modifying dates and contents of the course. You have to be aware about all messages and new material posted in the system.

VI. EVALUATION PROCESS

Evaluation	Description	Points	Percentage of total evaluation
Part I: All evaluations related to parts 1 and 2 of the course content.			
Short evaluations	Quizzes and discussions	40	10%
	Identification of companies	10	
Research	Collecting data	25	15%
	Simple calculations	25	
Mid Term Exam	Parts 1 and 2 of Course Content	100	25%
Total Part I		200	50%
Part II: All evaluations related to parts 3 and 4 of the Course Content.			
Short evaluations	Quizzes and discussions	40	10%
	Analyzing the collected data	30	
Research	Final draft	30	15%
Final Exam	Parts 3 and 4 of Course Content	100	25%
Total Part II		200	50%

No make-up exams are allowed. Any inconvenience or any condition that will not enable a student to take one of the required evaluations should be discussed with the instructor before the date of the evaluation. You might have two opportunities in some of the evaluations (quizzes and exams), if you decide to take the two opportunities, the average will be considered and under no circumstances the highest grade will be considered.

It is highly recommended to take the exam for one attempt by accessing the exam on the first day (do not leave the evaluation for the last hour).

Problems with the evaluations (e.g. dates, material etc.) should be communicated to your professor before the date of the evaluation. Please do not send messages after the exam saying you couldn't take it for any reason.

VII. SPECIAL NOTES

AUXILIARY SERVICES OR SPECIAL NEEDS SERVICES

Students that require special auxiliary services or special assistance must visit the office of Mr. José Rodríguez, at the University Orientation Program located at the first floor of Harris Building, at the beginning of the course or as soon as the knowledge for the need of such services is acquired.

HONESTY, FRAUD, AND PLAGIARISM STUDENT GENERAL REGULATION, CHAPTER 5

The lack of honesty, fraud, plagiarism and any other inappropriate behavior in relation to the academic work constitute major infringement sanctioned under the Student General Regulation. Major infractions, as provided by the regulation under student infringements can have as a result the suspension of the University for a defined period of time greater than a year or permanent expulsion from the University, among other sanctions.

Use of Electronic Devices

Cellular (mobile) telephones and any other electronic device that could interrupt the teaching-learning

process or disrupt a milieu favorable for academic excellence will be deactivated. Critical situations will be dealt with in an appropriate manner. The use of electronic devices that permit the accessing, storing or sending of data during tests or examinations is prohibited.

FEES PAYMENTS

As established in the General Student Catalog, student who do not comply with the financial responsibility, has no right to continue receiving the University services until the balance is paid under federal and Puerto Rico's regulations. Therefore, be sure that you have paid all your fees before the final examination. Also, you can contact the University (third floor) or at 787-250-1912 Ext. 2284, or 3136 to solve your situation and to obtain an authorization to attend the final examination.

VIII. EDUCATIONAL RESOURCES

Frank K Reilly y K. C. Brown Investments Analysis and Portfolio Management, 8th Edition, 2006.
Blackboard: Mail, Chatting, group discussion, etc.
Exercises and problems with respect to the course content require the use of "Excel".
"Yahoo. Financial", SEC data base, companies WebPages will be used to collect data.

IX. BIBLIOGRAPHY

Financial Management: Theory and Practice, 12th ed., Eugene F. Brigham & Michael C. Ehrhardt, Thompson/ South Western 2008.
Berger, Philip G. and Eli Ofex, "Diversification Effect on Firm Value", *Journal of Financial Economics*, 37, (January 1995), pp 39-65.
Bexter, Brian L., "The Administrative Costs of Debt Restructurings", *Financial Management*, 26, (Winter 1997).
Fama, Eugene F., "Market Efficiency, Long-Term Returns, and Behavioral Finance", *Journal of Financial Economics*, 49, (September 1998), pp 283-306.
Miller, Merton H., "Debt and Taxes", *Journal of Finance*, 32, (May 1977), pp 261-278.
Modigliani, Franco and M.H. Miller, "The Cost of Capital, Corporation Finance and the Theory of Investment", *American Economic Review*, 48, (June 1958).
Myers, Stewart C., "Still Searching for Optimal Capital Structure", *Journal of Applied Corporate Finance*, 6 (Spring 1993), pp 4-14.
Pyndick, Robert S., "Investments of Uncertain Cost", *Journal of Financial Economics*, 34, (August 1993).
Roll, Richard and S.A. Ross, "On the Cross-Sectional Relation between Expected Return and Betas", 49 (March 1994), pp 101-221.
Woolridge, J. Randall, "Do Stock Prices Reflect Fundamental Values", *Journal of Applied Corporate Finance*, 8, (Spring 1995), pp 64-69.
Fama, Eugene and K R. French, "The Capital Asset Pricing Model Theory and Evidence", *The Journal of Economic Perspectives*, 18 No. 3, (Summer 2004).
Perold, André F., "The capital Asset Pricing Model", *The Journal of Economic Perspectives*, No. 3, (Summer 2004).
Renneboog, Luc, ed. *Advances in Corporate Finance and Asset Pricing*, Amsterdam and San Diego: Elsevier, 2006. ISBN 0-444-52723-0.

INVESTMENTS (BADM 6230)
OUTLINE

Tex: Frank K. Reilly and Keith C. Brown (2006) Investment Analysis and Portfolio Management, 8th edition, The Harcourt Inc.

Week	Chapters	Subjects	Suggested Problems
		Part I: FUNDAMENTALS	
	1, 2	Basic concepts, Asset allocation	1.1, 2,3
	3, 5	Global Investment and Markets	3.4; 5.4,5,6
1	10	Indexes Analysis of financial statements Project: Companies Selection	10.1,2,3
		Part II: VALUATION TOOLS AND MODELS	
2	6,7	Efficient capital market and portfolio management	6.1,2,3; 7.1,2,3
3	8	Assets pricing models	8.11,12,13
4	9	Multifactor Models of risk and return MID TERM EXAM (25%) Project: data collection and simple calculation Quizzes (10%), total Project (15%)	9.1,4
		Part III: BONDS & STOCKS	
5	17, 18, 19	Bonds: Analysis, valuation and strategies	17.2, 3,4; 18.8, 9; 19.1, 2
6	14	Stock market and company analysis	14.3, 7
7	15, 16	Technical analysis and portfolio management strategies Project: Data Analysis (7.5%)	15.4,5; 16.1,2
		Part IV	
8	20	Securities and derivatives Markets	20.4, 6
8	21	Forwards and futures	21.1, 2
9	22	Options	22.3,4
10	23	Swaps, Convertibles Project: final draft (7.5%)	23.1, 3
10		FINAL EXAM (25%) Quizzes (10%)	

Late mailed works, assignments are not accepted. You have to verify the instructions of each quiz, exam, assignment, work project. Specifications of each item may be different. If a quiz or exam is offered to be answered twice, then the average of the two grades will be considered, so try to make your quiz from the first time.

Investment Project

Your research should include all parts. Further instruction and specific dates about delivering these parts are shown in Assignment Box of Blackboard.

I. General data (due date 3rd week of starting the class)

- Identify three companies from the pharmaceutical industry
 - Identify the data source and the internet addresses of the data
 - Find the industrial code of each company
 - Describe the market share of these companies
- Describe the types of services offered to the public
 - For example, airlines, finance, accounting, technology, etc.
- Describe the global feature of these companies
 - Describe if these companies have foreign direct investments, foreign affiliates, foreign offices, etc.
- Identify the goals and strategies of the companies sample (e.g. included in annual reports)
 - General strategies
 - Financial objectives

II. Specific Data (4th week of starting the class)

- Share prices
 - Obtain the monthly adjusted share prices at least for the last five years
 - Calculate returns
 - Find average, variance, and standard deviation of returns
- Financial and accounting data (yearly and at least for the last five years)
 - Total sales
 - Interest paid
 - Operating profit
 - Net income
 - Cash dividends
 - Earnings per share
 - Current assets
 - Current liabilities
 - Long term assets
 - Total assets
 - Long term liabilities
 - Total liabilities
 - Total stockholders' equity

III. Announcements (6th week of starting the class)

- Changes in strategies
 - Comparing the last five years if there is any change in companies strategies
- General announcements
 - For example: Lay Off, hiring general manager, president etc.
- Financial announcements

- Dividends
- Mergers and acquisitions
- Derivatives or options
- Spin Off
- Management Buy Out
- Initial Public offer
- External events
 - For example: global events, stock market problems, new laws affecting companies operations

IV. Simple Analysis (6th week of starting the class)

- Ratios
 - Internal liquidity ratios:
 - current ratio,
 - Operating performance:
 - Operating efficiency ratios: total asset turnover,
 - Operating profitability ratios:
 - Gross profit margin,
 - operating profit margin,
 - net profit margin,
 - return on total capital, (ROE)
 - Risk analysis
 - Business risk:
 - type of industry,
 - the variability of the firm's operating income over time (sales variability, and operating leverage)
 - Financial risk
 - Uncertainty of acquiring debt, the acceptable level of financial risk for a firm depends on its business risk
 - Debt ratios: debt-equity ratio, long-term debt/total capital ratio, total debt ratio
 - Interest coverage Cash flow coverage ratio, cash flow-long term debt ratio, cash flow/total debt ratio
 - External liquidity risk (determinants of market liquidity)
 - Comparing the market data with the companies data

V. Further analysis and final remarks (8th week of stating the class)

- Summary
 - Of the main and relevant issues found from the data
- Investment decision
 - Considering the data and investment theories do you recommend to invest in these companies individually or as a portfolio
- conclusion
 - The most relevant aspects of your project
 - Further research aspect related to your project
 - Recommendation and limitation of your project

The final draft should include:

Introduction

The introduction should include: the objective of your essay, the main companies investment strategies include in the “WebPages” of the companies, the importance of your essay and brief description of the following sections.

Subtopics of the analysis

The analysis should include: the trend analysis, comparison between the included companies, comparison between the companies and the industry and the market locally and globally.

Link between investment theory and practices: Select at least four theories or practices discussed in the course to apply to your research

A brief Summary or conclusions

Include your main findings in the analysis section.

Remember you have to include all required data as an appendix and your analysis should be include in the analysis section.

References

In all your writings you have to include from where you obtained it, for example when you write something about the companies’ strategies

The X Company strategies related to foreign business include also the company pretends to (X Webpage, Sept, 2009, pag 9)

Copy and paste is not accepted

You cannot copy and paste sections or financial statements from any source without the adequate permission. This is a serious problem and you cannot do it:

Example of the tables:

Table 1: Characteristics of the sample

Company’s name	Industrial classification	Type of business	Investment objectives
1			
2			
3			
4			

Table 2: Adjusted monthly share prices fromto.....

Date	Company 1	Company 2	Company 3	Company 4	Average

Table 3: financial variables for the companies’ sample

Panel 1: for year 1

Variable/year	Company 1	Company 2	Company 3	Company 4	Average
Sales					
CGS					
Operating expenses					
Interest expenses					
OP					

NI					
Current liabilities					
Long term liabilities					
Current assets					
Long term assets					
Preferred stock					
Common stocks					
Other variables					

Panel 2: for year 2

Panel 3: for year 3

Panel 4: for year 4

Panel 5: for year 5

Table 4: dividend announcements fromto.....

Date	Company 1	Company 2	Company 3	Company 4	Average

Table x: announcements fromto.....

Date	Company 1	Company 2	Company 3	Company 4	Average