

INTER-AMERICAN UNIVERSITY OF PUERTO RICO
METROPOLITAN CAMPUS
ECONOMICS AND ADMINISTRATIVE SCIENCES FACULTY
MBA PROGRAM
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 of valuation relative to the market. Study of the 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. 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

- A. Students should read the material before the discussion in class.
- B. Groups of 3 to 5 students may be formulated to present and discuss some topics in class (through “Black-Board”).
- C. Students are required to search for some topics in the internet to select their literature review or research project that is part of the evaluation.
- D. Students are required to solve some cases, quizzes, short essays that might require the use of “Microsoft Excel”.

VI. EVALUATION PROCESS

Evaluation	Points	%	Topics
MID TERM EXAM	100	25%	Investment background and models
FINAL EXAM	100	25%	Stock, bonds, derivatives
RESEARCH PROJECT	100	30%	Identifying three companies and applying the concepts learned in the course to the selected companies.
ASSIGNMENTS	100	20%	Quizzes, Cases, and Short Essays

VII. SPECIAL NOTES

MAKE-UP

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.

Supporting Services or Special Needs

Students requiring additional services or special assistance must request these at the beginning of the course or as soon as they learn that they need them, through the appropriate register in the Office of the Coordinator of Services for Students with Disabilities, located in the facilities of the Dean of Students.

B. Plagiarism

Plagiarism, dishonesty, fraud and any other type of manipulation or inappropriate behavior related with academic performance are unacceptable in our institution.

Disciplinary actions will be taken on students found guilty of such practice as established in Chapter V, Article 1, Section B.2 of the Student's Rules and Regulations handbook.

<http://metro.inter.edu/servicios/documentos/reglamentosestudiantes2006.pdf>

Inter American University has very strict regulations regarding plagiarism (using the ideas or words of others without giving proper credit), so it is important that you specifically read Chapter 5, Article 1, Section B.2c of the Student's Rules and Regulations Handbook. This section clearly explains what plagiarism is. In addition, it explains the types of sanctions students are exposed to when they commit it.

C. 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.

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).

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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.

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