Department of Accountancy
H132100 Investments (投資學)
Fall 2009

The mission of the Department of Accountancy is to explore and advance theories and practice in accounting to cultivate competitive business professionals for the integrated international business environment.

General Program Learning Goals (goals covered by this course are indicated):

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<tr>
<td>1</td>
<td>Graduates should be able to communicate effectively verbally and in writing</td>
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<td>2</td>
<td>Graduates should be able to solve problems strategically and should be creative and innovative in their approach to solving problems</td>
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<td>3</td>
<td>Graduates should be proficient in the use of Information Technology</td>
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<td>4</td>
<td>Graduates should possess knowledge and computational skills that will enable them to think critically and analytically</td>
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<td>5</td>
<td>Graduates should possess necessary skills and values required of a true professional</td>
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Instructor:

Dr. Pinghsun (Ping) Huang
#53441
phuang@mail.ncku.edu.tw

Prerequisites:

Financial Management

Course Description & Objectives:

This course is to prepare you for a broad knowledge of investment environments and the financial and analytical skills used to value financial assets. The course is divided into five main topics. First, the market structure will be discussed. This will give you a tour of the major markets in which securities trade, the trading process, and the major players in the financial markets. Second, the course will discuss the modern portfolio theory. The theory will demonstrate you how to achieve the best trade-off between portfolio risk and return. Third, the course will introduce fixed-income market and securities. This will show you how to value securities such as bonds and how to measure and manage interest rate risk. Fourth, the course will review the valuation of equity investments that you were exposed to in your financial management course. Finally, we will study derivative assets such as options and futures. This will guide you how to value derivatives assets and use them for risk management and control.
Textbook:


Recommended Reading:

Wall Street Journal – Daily reading of WSJ or any local financial newspaper is strongly recommended.

Financial Calculator:

Your calculator should have financial functions capable of calculating NPV, IRR, etc. Recommended calculators are TI BAII Plus. We will review concepts of time value of money and use financial calculator in Chapter 9, 10 and 12.

Assignments:

The emphasis of the assigned end-of-chapter problems will be on the material taught in class. Questions and problems will be assigned when necessary. Assigned problems will not be collected for grading purposes. Nevertheless, students are urged to work on those questions and problems the same day the material is taught. Working on assignments and in-class examples diligently will well prepare you for examinations and quizzes.

Quizzes:

Three in-class quizzes will be given in this semester. Quizzes will be primarily based on the in-class examples and assigned homework problems. The purpose of quizzes is to prepare you for examinations. The low grade of your three quizzes will be dropped. Only the best two of your three grades will be counted. You are allowed to bring in a one-sided A4-size formula sheet for each quiz. No words or examples are allowed on your formula sheet.

Stock-Trak Portfolio Simulation:

To gain some experiences of real world investments, you are required to manage a hypothetical portfolio with initial value of US$500,000. This investment program allows you to buy and sell common stocks, mutual funds, bonds, options, and futures -- almost anything listed in the Wall Street Journal -- through live brokers employed by STOCK-TRAK, Inc. The class trading period is November 2, 2009 – January 4, 2010. The registration fee is US$22.95 per account for each group. For detailed information, please visit the company’s web page at http://www.stocktrak.com and print out the registration materials/trading rules from the web page.

This is a very useful learning program, which provides you with a real market environment to learn the risk-return tradeoff, to test the efficient market hypothesis, to construct well-diversified portfolios, to engage in derivative transactions, and to experiment global market investment perspectives. I hope that
you will have fun and learn some useful things from it.

Students need to form their teams of 3-5 members by **October 9** to participate in the Stock-Trak portfolio simulation. If teams do not form naturally, I will assign some team memberships. Teams should be self-governing. At the end of the semester, peer evaluation upon team’s request may be conducted to determine individual grade in the component of portfolio simulations.

Grades for the simulation are not significantly determined by the investment returns or the group’s ranking in the simulation. Your team grade in this component is based on the written quality of your final report. The report must be typed in English. In order to complete the simulation assignments, you must do the following 5 things: 1) constructing a portfolio of at least 10 stocks; 2) short selling; 3) buying some bonds; 4) buying or selling options; and 5) taking long or short positions in futures contracts. The report should be double-spaced, typed, and no longer than four pages in length. Your report is not limited to, but must include the following:

1. A description and rationale for your trading activity during the simulation.
2. A description, using appropriate statistical measures, of the risk and return of your portfolio over the investment period.
3. An analysis of your performance. How did your portfolio perform relative to:
   a. Your prior expectations
   b. Appropriate benchmarks
4. Did you learn anything in class that would have improved your results? If you were to repeat the project beginning tomorrow, what would you change?

**Examinations:**

There will be a midterm examination and a final examination. Examinations will be closed book/notes and must be answered in English. However, you are allowed to bring in a one-sided A4-size formula sheet for each examination. Students are expected to take examinations at the scheduled times. **There will be no make-up examinations.** Remedies are possible, but only in documented, urgent, and compelling circumstances, and only if I have been informed in advance.

**Grading Policy:**

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<th>Component</th>
<th>Percentage</th>
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<tr>
<td>Midterm Examination</td>
<td>30% (November 20)</td>
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<tr>
<td>Final Examination</td>
<td>35% (January 15)</td>
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<tr>
<td>Stock-Trak Investment Simulation</td>
<td>20%</td>
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<tr>
<td>Quizzes</td>
<td>15%</td>
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**Academic Misconduct:**

Academic dishonesty will not be tolerated. Any student caught cheating will be given an F in the course. In addition, a written report of the incident will be submitted to the Dean of Students.

**Miscellaneous:**

Please bring in your textbook to each class period. We will use end-of-chapter problems very intensively.

**Notes:**

The syllabus is subject to change at the professor’s discretion.
Tentative Course Outline

I. Elements of Investments

September 18  Syllabus & Information Sheet
September 25  Time Value of Money Review
October 2      Ch. 1 Investments: Background and Issues
               Ch. 2 Financial Securities
October 9      Form Teams for Stock-Trak Simulation
               Ch. 3 Securities Markets
               Ch. 4 Mutual Funds and Investment Companies

II. Portfolio Theory

October 16    Ch. 5 Risk and Return Tradeoff
October 23    Ch. 6 Efficient Diversification
October 30    Ch. 6 More Efficient Diversification (continued)
November 6    Quiz 1 (Ch. 1 ~ 6)
               Ch. 7 CAPM and APT
November 13   Ch. 7 CAPM and APT (Continued)
               Ch. 8 Efficient Markets and Behavioral Critique
November 20   Midterm Examination (Ch. 1 ~ 7)

III. Debt Securities

November 27   Return Midterm Examination
               Ch. 9 Bond Prices and Yields
December 4    Ch. 10 Managing Bond Portfolios

IV. Security Analysis

December 11   Ch. 12 Equity Valuation
               Ch. 13 Financial Statement Analysis

V. Derivative Markets

December 18   Quiz 2 (Ch. 8, 9, 10, 12 & 13)
               Ch. 15 Options Markets
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<th>Date</th>
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<tr>
<td>December 25</td>
<td>Ch. 16 More Option Valuation</td>
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<td>Ch. 17 Futures Markets and Risk Management</td>
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<td>January 1</td>
<td>National Holiday</td>
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<td>January 8</td>
<td>Quiz 3 (Ch. 15 &amp; 16)</td>
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<tr>
<td>January 15</td>
<td><strong>Final Examination</strong> (exact time and venue: TBA)</td>
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