**King Saud University**

**College of Business Administration**

**Finance Department**

**COURSE SYLLABUS**

 **FIN 220- ESSENTIALS OF INVESTMENTS – Prerequisite: FIN 200**

**First Semester (Fall 2015)**

**Instructor:** Ms. Nouf Alabdulkarim

**Office:** #26

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**Office hours:** Sunday, Tuesday, Thursday (12:00pm-2pm)Many other times are available by appointment..

**Course Description and Objectives:**

The objective of this course is to provide a rigorous introduction to the fundamental principles of investments for students who have relatively little familiarity with such issues. This course provides students with an introduction to the tools and concepts of security analysis and investments. Students will be introduced to basic security types, including stocks, bonds, options and futures, to their respective markets and to how these securities are traded.

**Required Textbook:**

Fundamentals of Investments, Seventh Edition; Authors: Jordan/Miller/Dolvin;

ISBN: 978-0-07-131564-7

**Grading distribution:**

Your final grade will be based on your performance in exams, participation, and a project.

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| --- | --- | --- | --- |
| **Assessment Task** | **Marks** | **Dates** | **WEIGHTAGE** |
| Midterm 1 | 22 | Tuesday November 7th | 22% |
| Midterm 2  | 22 | Sunday December 10th | 22% |
| project | 10 | TBA  | 10% |
| participation | 6 | Throughout the semester | 6% |
| Final Exam | 40 | TBA | 40% |
| Total | 100 |  | 100% |

**Exams :**

There will be **two mid-term exams** and a **cumulative final exam.**

You are not allowed to refer to the textbook or class notes during exams.

A make-up exam will only be given once. It will take place after the second midterm exam and it will cover the whole curriculum up to that point. Documented proof for the reason of absence must be submitted to the department no more than two days after missing the exam. Note that make-ups are only given in genuine cases.

**Course Coverage:**

**Week 2:** A Brief History of Risk and Return (Chapter 1)–Returns–The HistoricalRecord – Average Returns

**Week 3:** A Brief History of Risk and Return (Chapter 1)–Return Variability–Arithmetic & Geometric Returns.

**Week 4:** The Investment Process (Chapter 2)–Investment Policy Statement–Typesof Securities Brokers – Brokerage Accounts.

**Week 5:** The Investment Process (Chapter 2)–Brokerage Accounts Cont'd–ShortSales

**Week 6:** Overview of Security Types (Chapter 3)–Classifying Securities–Interest-Bearing Assets

**Week 7:** Overview of Security Types (Chapter 3)–Equities–Derivatives–FuturesContracts – Option Contracts

**Week 8:** The Stock Market (Chapter 5) – Private and Public Equity, Primary and Secondary Stock Markets–NYSE and NASDAQ **MIDTERM#1**

**Week 9:** Common Stock Valuation (Chapter 6)–Dividend Discount Model–Two-Stage Dividend Growth Model

**Week 10:** Common Stock Valuation (Chapter 6)–Residual Income Model–FreeCash Flow Model – Price Ratio Analysis

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| --- | --- | --- | --- | --- |
| Course Learning Outcomes | Linked to Program | Teaching | Assessment |  |
| (CLO) Upon Completion of the | Learning Outcomes | Strategies |  |  |
| course the students will be able to: | (PLO) |  |  |  |
|  |  |  |  |  |
| 1) | Recognize the basic | LG 5: OB 5.1 | Lecture | Test 1- MCQ |
|  | principles and |  | Discussion |  |
|  | theories of |  |  |  |
|  | investment |  |  |  |
| "Knowledge + |  |  |  |  |
| Comprehension**"** |  |  |  |  |
| 2) | Apply theories | LG 6: OB 6.3 | Discussion | Assignment 1 |
| "Application" |  | Class Exercise | Test 2- |  |
|  |  |  |  | Exercises |
| 3) | Point out, analyze, | LG 6: OB 6.1 | Lecture | Assignment 2 |
|  | and solve problems |  | Practice | Final |
| "Analysis + Application" |  | Problems | Examination |  |
| 4) | Conclude creatively | LG 2: OB 2.1 | Discussion | Participation |
| "Evaluation" |  | Cooperative |  |  |
|  |  |  | Learning |  |
| 5) | Produce good | LG 1: OB 1.1 & OB | Discussion | Course Project |
|  | research and | 1.2; LG 2: OB 2.2 |  |  |
|  | express findings |  |  |  |
|  | effectively |  |  |  |
| "Application + |  |  |  |  |
| Comprehension" |  |  |  |  |

**Week 11:** Stock Price Behavior and Market Efficiency (Chapter 7)–Foundations,Forms, and Implications of Market Efficiency

**Week 12:** Stock Price Behavior and Market Efficiency (Chapter 7)–Anomalies–Bubbles & Crashes + Interest Rates (Chapter 9) – Money Market Prices and Rates – Nominal and Real Interest Rates

**Week 13:** Interest Rates (Chapter 9)–Traditional Theories of the Term Structure–Determinants of Nominal Interest Rates **MIDTERM#2**

**Week 14:** Bond Prices and Yields (Chapter 10)–Bond Basics–Straight Bond Pricesand Yield to Maturity – Malkiel's Theorems

**Week 15:** Bond Prices and Yields (Chapter 10)–Malkiel's Theorems Cont'd–Duration – Dedicated Portfolios and Reinvestment Risk – Immunization

**Week 16:** Behavior Finance and the Psychology of Investing (Chapter 8)–

Behavioral Finance – Prospect Theory – Overconfidence – "Hot-Hand Fallacy" – Gambler's Fallacy – Technical Analysis

 **Week 17: Review**