Undergraduate Distance Education Review Form

(Required for all courses taught by distance education for more than one-third of teaching contact hours)

Existing and Special Topics Course

Course: __FIN324 Principles of Investments__

MAR 1 4 2005

Instructor of Record: __Robert Boldin__   phone: __2465__ e-mail: __rboldin@iup.edu__

Step One: Department or its Curriculum Committee

The committee has reviewed the proposal to offer the above course using distance education technology, and responds to the CBA criteria as follows:

1. Will an instructor who is qualified in the distance education delivery method as well as the discipline teach the course?   **X** Yes   ___ No

2. Will the technology serve as a suitable substitute for the traditional classroom?   **X** Yes   ___ No

3. Are there suitable opportunities for interaction between the instructor and student?   **X** Yes   ___ No

4. a. Will there be suitable methods used to evaluate student achievement?   **X** Yes   ___ No

   b. Have reasonable efforts been made to insure the integrity of evaluation methods (academic honesty)   **X** Yes   ___ No

5. Recommendation:

   X Positive   (The objectives of the course can be met via distance education.)

   ___ Negative   _____ 03/05/05
   signature of department designee   date

If positive recommendation, immediately forward copies of this form and attached materials to the Provost and the Liberal Studies Office for consideration by the University-Wide Undergraduate Curriculum Committee. Dual-level courses also require review by Graduate Committee for graduate-level offering. Send information copies to 1) the college curriculum committee, 2) dean of the college, and 3) Dean of the School of Continuing Education.

Step Two: UNIVERSITY-WIDE UNDERGRADUATE CURRICULUM COMMITTEE

X Positive recommendation

___ Negative recommendation   _____ 4/05/05
signature of committee chair   date

Forward this form to the Provost within 24 calendar days after review by committee.

Step Three: Provost

✓ Approved as distance education course

___ Rejected as distance education course   _____ 4/6/05
signature of Provost   date

Step Four:
Forward materials to Dean of the School of Continuing Education.

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__Step One:__ Department or its Curriculum Committee
The committee has reviewed the proposal to offer the above course using distance education technology, and responds to the CBA criteria as follows:

1. Will an instructor who is qualified in the distance education delivery method as well as the discipline teach the course? __X__ Yes ___ No

2. Will the technology serve as a suitable substitute for the traditional classroom? __X__ Yes ___ No

3. Are there suitable opportunities for interaction between the instructor and student? __X__ Yes ___ No

4. a. Will there be suitable methods used to evaluate student achievement? __X__ Yes ___ No

    b. Have reasonable efforts been made to insure the integrity of evaluation methods (academic honesty) __X__ Yes ___ No

5. Recommendation:
    __X___ Positive (The objectives of the course can be met via distance education.)

    _____ Negative   _signature_   03/05/05
    signature of department designee   date

If positive recommendation, immediately forward copies of this form and attached materials to the Provost and the Liberal Studies Office for consideration by the University-Wide Undergraduate Curriculum Committee. Dual-level courses also require review by Graduate Committee for graduate-level offering. Send information copies to 1) the college curriculum committee, 2) dean of the college, and 3) Dean of the School of Continuing Education.

__Step Two:__ UNIVERSITY-WIDE UNDERGRADUATE CURRICULUM COMMITTEE

__X__ Positive recommendation

____ Negative recommendation   _Gail S Sechrist_   4/05/05
signature of committee chair   date

Forward this form to the Provost within 24 calendar days after review by committee.

__Step Three:__ Provost
____ Approved as distance education course

____ Rejected as distance education course _____
                                        signature of Provost   date

__Step Four:__
Forward materials to Dean of the School of Continuing Education.

TO: University-wide Undergraduate Curriculum Committee

FROM: Robert Boldin
            Tel: 7-2465
            Email: rboldin@iup.edu

SUBJECT: Proposal for Online FIN 324 Course, Principles of Investments

DATE: 3/3/05

For your review, the following items are contained in my proposal for teaching FIN 324, Principles of Investments, as a distance education course. I was not able to locate the FIN 324 Syllabus of Record. Department faculty agree on the course objectives listed in this proposal. These objectives have been stated in recent syllabi used for teaching FIN 324 in class.

1. Undergraduate Distance Education Review Form
2. Response to Questions 1-5 on Review Form.
3. Proposed FIN 324 Syllabus
4. WebCT Homepage
5. Course Content Index for the Textbook
6. Chapter 6 Module
    a. Course Objective Related to Chapter 6
    b. Chapter 6 Table of Contents
    c. Chapter 6 Summary and Conclusions
    d. Chapter 6 Standard & Poor's Projects
    e. Chapter 6 What's on the Web Exercises
    f. Chapter 6 Power Web Articles Page (partial listing for Equity Valuation Articles)
    g. Chapter 6 Sample PowerWeb Article and "Test Your Knowledge Form"
    h. Chapter 6 Current Articles Listing Available Online (partial)
    i. Chapter 6 Sample Current Events Article
    j. Chapter 6 Homework Problems
    k. Chapter 6 Sample Quiz

Materials and assignments for other chapters will be similar to the above. Standard & Poor's Projects, PowerWeb Articles, and current events articles will be used to foster class discussions on WebCT discussion boards. I expect other student communications will involve the discussion of homework assignments as well, using the communications tools on Web CT.

Please let me know if you need additional information.

Online FIN 324 – Principles of Investments

Responses to Questions 1 through 5 on Undergraduate Distance Education Review Form

1. I have taught FIN 324 periodically over the past 25 years. While this would be a new online course for me, I developed the original online FIN 310 three years ago. I have taught FIN 310 online every semester and during the summers for the past 3 years. Therefore, I am familiar with the use of online material. I have attended WebCT instruction sessions at the Instructional Design Center and have worked closely with staff members there to improve the offering of the WebCT package. This background, I believe, qualifies me as someone who is experienced in the distance education delivery method as well as the discipline to teach this course.

2. FIN 324--Principles of Investments is a course that requires a significant time commitment from the students, who must work a sufficient number of problems to develop their problem-solving and analytical skills within the framework of finance theory. The technology of WebCT provides students with an ample supply of questions and problems in a format that allows students to obtain help through relevant examples, links to textbook pages, and the ability to consult with other students and the professor through various communication tools.

3. WebCT provides communication tools that include Discussion Pages, Mail, White Board, and Chat Rooms. Students may interact with each other and with the professor on a daily basis to discuss course material, to assist one another in the completion and understanding of assignments, and to discuss relevant current events. Many topics in investment analysis require interpretation of information that is well suited to group discussion and interaction. Traditional classroom courses require much work to be done outside of class, working with other students or resources. The discussion of assignments using WebCT communication tools can be as effective as face-to-face discussions if students are motivated to participate. The course materials from Chapter 6 show Standard & Poor's Projects, What's on the Web Exercises and Power Web Articles that may be used to foster online discussions and student interaction.

4. Student performance will be evaluated based upon homework, quizzes, and exams, just as in a traditional classroom setting. Students must register with a unique user name and password, and their activity online may be monitored to determine how long each student participates in the completion of homework, quizzes, and exams. Exams and quizzes are timed to help prevent cheating.

5. The objectives of this course can be met via distance education not only because of the above comments but because of the level of interaction between student and instructor. The quick response to student questions and inquiries and close monitoring of student progress all work toward helping achieve course objectives.

<u>Syllabus</u>
FIN 324 Principles of Investments – Summer II 2005

Welcome to on-line Principles of Investments (FIN 324). The on-line content and tools feature the most advanced educational technology and instructional design available today. A rich set of materials, communication tools, and course management resources have been incorporated into this course.

Instructor Information

Professor: Dr. Robert Boldin

Email: rboldin@iup.edu

Office: 322A Eberly College of Business and Information Technology

Office hours: TWR 1:30pm – 3:30pm

Phone: (724) 357 2465

Biography: Dr. Boldin is a Professor of Finance. He also serves as Co-Director of Management Services Group and Director of the Indiana County Small Business Incubator. His academic background includes a bachelor's degree in Chemical Engineering from the University of Pittsburgh, an MBA from Duquesne University, and the MA and doctorate in Business and Applied Economics from the University of Pennsylvania's Wharton School. Before joining IUP in 1978 he served as assistant to the treasurer at Carnegie- Mellon University, and held faculty positions at both Clarkson University and Franklin and Marshall College. His teaching and research interests include Banking, Bankruptcy, Emerging Markets and Valuation. He has served as a consultant for the World Bank, USAID and numerous smaller firms and organizations.

Course Information

Course title: FIN324 Principles of Investments

Course number: FIN 324 Section 8B1 (For Business Majors) and 8NB (For Non-Business Majors)

Course discipline: Finance

Course description: An introduction to securities markets, trading, and valuation. Topics include security types and characteristics, the mechanics of trading, valuation models for fixed-income securities and common stock, mutual fund evaluation, basics of options and futures, and tax-advantaged investments.

Course date: Summer II 2005

Location: A WebCT based online course

Prerequisite (s): Completed "Junior Standing" Requirements for Business Majors; ACCT 202, MATH 214 for business majors; ACCT 202, MATH 214 or MATH 217 for Non-Business Majors (MATH 214 recommended).

"Beginning with the summer 2000 term, there will be absolute enforcement of every prerequisite requirement for the coursework offered by the Eberly College of Business and Information Technology. This means that students cannot postpone prerequisites and take them after the course in question.

The Dean's office is responsible for monitoring course prerequisites. Students who manage to register for coursework is in spite of the fact that they do not have the appropriate prerequisite will be subject to unilateral withdrawal after the course has commenced. At that time, no appeal will be accepted and adding a different class after the official registration period will not be approved."

Textbooks

Required: **Fundamentals of Investments**, McGraw-Hill, 3rd edition, 2005 by Charles J. Corrado, and Bradford D. Jordan (ISBN 0-07-282919-2)

Recommended: **Fundamentals of Investments – Ready Notes**, same publisher, edition and authors as above. (ISBN 0-07-295641-0)

I Drive: A PowerPoint presentation and solutions to text questions and problems can be found on the I Drive under rboldin.

Course Objectives

1. The student will be able to analyze and understand various financial instruments that are available to investors and the ways that these instruments are traded in the markets.

2. The student will be able to apply valuation concepts to a wide range of assets, including equities and fixed-income securities.

3. The student will be able to identify the characteristics of various securities and understand different ways in which markets for these securities function.

4. The student will be able to understand how assets are priced using capital asset pricing model and arbitrage pricing theory and how optimal portfolios are constructed for investors at a point where his/her indifference curve is tangential to the efficient set.

5. The student will become familiar with different types of fixed income securities and issues relating to bond valuation concept known as convexity and its relationship with duration.

6. The student will be able to use data from on-line sites such as EDGAR and SEC financial reporting database, and other sources of financial information to aid in developing sound investment policies.

Course Overview

This SYLLABUS contains information about the course, including required text, assignments, quizzes, tests and exam schedule. Assignments are listed in the SCHEDULE and should be cross-referenced with the CALENDAR which provides chapter quiz, chapter test, mid term and final exam dates for the course. The following course SCHEDULE can be printed for easy referral throughout the semester. Since this is a distance-learning course, you are responsible for completing and submitting via WebCT the assignments indicated in the SCHEDULE. Therefore, please read carefully this SYLLABUS and the SCHEDULE to make certain you are completing the assignments as required. Also, please use the WebCT for all correspondence.

Course Method

This course will cover **19 chapters** from the text with the following tasks and time requirements for **each chapter**:

1. Read Chapter Text, work through questions and problems.
2. Review the WebCT content materials.
3. You will be required to take Chapter Quizzes for each of the 19 chapters. Each quiz will consist of 20 T/F and Multiple Choice questions and problems; (60 minute time limit). Each chapter quiz can be taken **three times**; the highest score will be counted.
4. You will be required to take a Chapter Test for each of the 19 chapters. Each test will consist of 30 T/F and Multiple Choice questions and problems covering all chapter materials (100 minute time limit).
5. Throughout the semester 5 assignments are required for you to complete and submit via WebCT for grading – see **Calendar** for schedule.
6. Mid-Term Exam will cover chapters 1 – 10 with 40 T/F and Multiple Choice questions and problems (120 minute time limit).
7. Final Exam will cover chapters 11 – 19 with T/F and 40 Multiple Choice questions and problems (120 minute time limit).

Grading Policy

Introduction: Grading System

1	Chapter Quizzes (19)	20%
2	Chapter Tests (19)	30%
3	Mid Term Exam (Chapters 1-10)	20%
4	Final Exam (Chapters 11-19)	20%

5	Assignments (5)	10%

You will be notified of 5 **ASSIGNMENTS**. Use WebCT to email your assignment solutions for grading.

CHAPTER QUIZZES will be taken on-line. To take the quizzes, click on the quiz icon. A screen will appear titled course exams. Scroll down and the quizzes for each chapter will be listed. Chapter 1 Quiz, for example, is listed first. You may take up to three quizzes for each chapter. Your highest grade is the one that is recorded. For the day in which a quiz is assigned, you can take the quiz starting at 8am until 11pm of the same day. Two of the lowest chapter quiz grades will be dropped when computing the overall average of the chapter quizzes. Chapter quizzes should be taken before taking chapter tests.

CHAPTER TESTS: All tests will be taken On-Line and will consist of T/F and multiple choice questions and problems. Students may use their book and notes for exams. **Make-up tests will not be given.** You are required to take a test for each of the 19 chapters. When computing the average of the chapter tests, the lowest two will be dropped.

MID TERM EXAM: The mid term exam will cover material from chapters 1 – 10. **No Make-up Exam will be given.**

FINAL EXAM: The final exam will cover material from chapters 11 – 19. **No Make-up Exam will be given.**

Additional Information

1. A "high speed" internet connection with a PC with sound capabilities is recommended. It is preferable that you have Microsoft Word and PowerPoint on your system.
2. No extensions of deadline for "Chapter Quizzes" and "Chapter Tests" are possible. Two of the lowest or missed Chapter Quizzes among 19 and two of the lowest Chapter Test (among 19) will be dropped in computing the Chapter Quiz and Chapter Test averages for the course. Additional missing Chapter Quizzes/Tests will be scored zero.
3. Assignments not submitted by the deadline will be graded zero.
4. Mid Term Test will include chapters 1-10 material. Final Test will include chapters 11-19 material. All tests are multiple choice questions and problems.
5. Quizzes for each chapter can be attempted three times and the highest score will be counted.
6. Only those assignments specified in the **SCHEDULE** are to be submitted via WebCT for grading.
7. Final grade will be decided on a curve with grade cut off points determined by overall class average.

Reminders

- Please review carefully the **SYLLABUS/SCHEDULE/CALENDAR.**

- Additional readings, problems and cases may be assigned from time to time.

- Solutions to specific study problems and comprehensive problems assignments, as noted in the **SCHEDULE**, are to be submitted via WebCT for grading. Solutions to other listed study questions and study problems are NOT to be emailed for grading unless otherwise noted.

- Solutions to each of the 5 assignments are to be submitted via WebCT for grading and are due no later than 11pm of the date of the assignment as noted in the **SCHEDULE**.

- You will have the opportunity to take three quizzes for each chapter. The best score obtained in the three attempts will be graded and recorded as your quiz grade. Quizzes are required for each chapter and need to be completed by the time noted in the **SCHEDULE**. For each chapter quiz, chapter test, mid term and final exams, you are permitted to use your book and notes.

- Please review the **CALENDAR** to obtain an overview of chapter quizzes, chapter tests, mid term and final exam times.

- If you have any questions please email me **using WebCT.**

Course Schedule:

Monday, July 11

- Review course outline
- Review text
- Review Web-CT
- Reading Assignment - Chapter 1

Tuesday, July 12

- Homework - Chapter 1
  Questions and Problems: 1-3, 1-5, 1-9, 1-19.
- **Quiz - Chapter 1 (can be completed by 11pm Tuesday 7/12/05)**
- **Test – Chapter 1 (can be completed by 11pm Tuesday 7/12/05)**

Wednesday, July 13

- Reading Assignment - Chapter 2
- Homework - Chapter 2
  Questions and Problems: 2-1, 2-3, 2-9, 2-11, 2-15, 2-21.
- **Quiz - Chapter 2 (can be completed by 11pm Wednesday 7/13/05)**
- **Test – Chapter 2 (can be completed by 11pm Wednesday 7/13/05)**

Thursday, July 14

- Reading Assignment - Chapter 3
- Homework - Chapter 3
  Questions and Problems: 3-1, 3-5, 3-11, 3-15, 3-20.
- **Quiz - Chapter 3 (can be completed by 11pm Thursday 7/14/05)**
- **Test – Chapter 3 (can be completed by 11pm Thursday 7/14/05)**

Friday, July 15

- Reading Assignment – Chapter 4
- Homework – Chapter 4
  Questions and Problems: 4-3, 4-5, 4-7, 4-9, 4-18, 4-19.
  NOTE: Using the WebCT, e-mail your assignment 1 solution, SHOWING YOUR WORK
- **Quiz - Chapter 4 (can be completed by 11pm Friday 7/15/05)**
- **Test – Chapter 4 (can be completed by 11pm Friday 7/15/05)**

Monday, July 18

- Reading Assignment – Chapter 5
- Homework – Chapter 5
  Questions and Problems: 5-1, 5-3, 5-5, 5-7, 5-9, 5-13, 5-15.
- **Quiz - Chapter 5 (can be completed by 11pm Monday 7/18/05)**
- **Test – Chapter 5 (can be completed by 11pm Monday 7/18/05)**

Tuesday, July 19

- Reading Assignment – Chapter 6
- Homework – Chapter 6
  Questions and Problems: 6-1, 6-3, 6-5, 6-7, 6-9, 6-17, 6-19.
- **Quiz - Chapter 6 (can be completed by 11pm Tuesday 7/19/05)**
- **Test – Chapter 6 (can be completed by 11pm Tuesday 7/19/05)**

Wednesday, July 20

- Reading Assignment – Chapter 7
- Homework – Chapter 7
  Questions and Problems: 7-1, 7-3, 7-5, 7-7, 7-9.
- **Quiz - Chapter 7 (can be completed by 11pm Wednesday 7/20/05)**
- **Test – Chapter 7 (can be completed by 11pm Wednesday 7/20/05)**

Thursday, July 21

- Reading Assignment – Chapter 8
- Homework – Chapter 8
  Questions and Problems: 8-3, 8-13.
  NOTE: Using the WebCT, e-mail your assignment 2 solution, SHOWING YOUR WORK.
- **Quiz - Chapter 8 (can be completed by 11pm Thursday 7/21/05)**
- **Test – Chapter 8 (can be completed by 11pm Thursday 7/21/05)**

Friday, July 22

- Reading Assignment – Chapter 9
- Homework – Chapter 9
  Questions and Problems: 9-1, 9-5, 9-9, 9-11, 9-17, 9-24.
- **Quiz - Chapter 9 (can be completed by 11pm Friday 7/22/05)**
- **Test – Chapter 9 (can be completed by 11pm Friday 7/22/05)**

Monday, July 25

- Reading Assignment – Chapter 10
- Homework – Chapter 10
  Questions and Problems: 10-1, 10-3, 10-5, 10-9, 10-11, 10-17, 10-23.
  NOTE: Using the WebCT, e-mail your assignment 3 solution, SHOWING YOUR WORK
- **Quiz - Chapter 10 (can be completed by 11pm Monday 7/25/05)**
- **Test – Chapter 10 (can be completed by 11pm Monday 7/25/05)**

Wednesday, July 27

On-Line Mid-Term Exam covering chapters 1 – 10. Exam deadline is 11pm, Wednesday, July 27, 2005. Questions and problems are multiple choices. 120 minutes to complete the Exam from the time you begin. Exam will be available beginning 8am, Wednesday, July 27, 2005.

Thursday, July 28

- Reading Assignment – Chapter 11
- Homework – Chapter 11
  Questions and Problems: 11-3, 11-9, 11-11, 11-14, 11-19.
- **Quiz - Chapter 11 (can be completed by 11pm Thursday 7/28/05)**
- **Test – Chapter 11 (can be completed by 11pm Thursday 7/28/05)**

Friday, July 29

- Reading Assignment – Chapter 12
- Homework – Chapter 12
  Questions and Problems: 12-3, 12-5, 12-9, 12-17, 12-19.
- **Quiz - Chapter 12 (can be completed by 11pm Friday 7/29/05)**
- **Test – Chapter 12 (can be completed by 11pm Friday 7/29/05)**

Monday, August 1

- Reading Assignment – Chapter 13

- Homework – Chapter 13
  Questions and Problems: 13-3, 13-5, 13-11, 13-15, 13-19, 13-21.
- **Quiz - Chapter 13 (can be completed by 11pm Monday 8/01/05)**
- **Test – Chapter 13 (can be completed by 11pm Monday 8/01/05)**

Tuesday, August 2

- Reading Assignment – Chapter 14
- Homework – Chapter 14
  Questions and Problems: 14-3, 14-9, 14-15.
- **Quiz - Chapter 14 (can be completed by 11pm Tuesday 8/02/05)**
- **Test – Chapter 14 (can be completed by 11pm Tuesday 8/02/05)**

Wednesday, August 3

- Reading Assignment – Chapter 15
- Homework – Chapter 15
  Questions and Problems: 15-1, 15-5, 15-7, 15-9, 15-11.
  NOTE: Using the WebCT, e-mail your assignment 4 solution, SHOWING YOUR WORK
- **Quiz - Chapter 15 (can be completed by 11pm Wednesday 8/03/05)**
- **Test – Chapter 15 (can be completed by 11pm Wednesday 8/03/05)**

Thursday, August 4

- Reading Assignment – Chapter 16
- Homework – Chapter 16
  Questions and Problems: 16-1, 16-3, 16-5, 16-9, 16-13.
- **Quiz - Chapter 16 (can be completed by 11pm Thursday 8/04/05)**
- **Test – Chapter 16 (can be completed by 11pm Thursday 8/04/05)**

Friday, August 5

- Reading Assignment – Chapter 17

- Homework – Chapter 17
  Questions and Problems: 17-1, 17-3, 17-5, 17-7, 17-9, 17-14.
- **Quiz - Chapter 17 (can be completed by 11pm Friday 8/05/05)**
- **Test – Chapter 17 (can be completed by 11pm Friday 8/05/05)**

Monday, August 8

- Reading Assignment – Chapter 18
- Homework – Chapter 18
  Questions and Problems: 18-3, 18-5, 18-9, 18-15, 18-19.
  NOTE: Using the WebCT, e-mail your assignment 5 solution, SHOWING YOUR WORK
- **Quiz - Chapter 18 (can be completed by 11pm Monday 8/08/05)**
- **Test – Chapter 18 (can be completed by 11pm Monday 8/08/05)**

Tuesday, August 9

- Reading Assignment – Chapter 19
- Homework – Chapter 19
  Questions and Problems: 19-3, 19-9, 19-13, 19-19.
- **Quiz - Chapter 19 (can be completed by 11pm Tuesday 8/09/05)**
- **Test – Chapter 19 (can be completed by 11pm Tuesday 8/09/05)**

Thursday, August 11

On-Line Final Exam covering chapters 11 – 19. Exam deadline is 11pm, Thursday, August 11, 2005. Questions and problems are multiple choices. 120 minutes to complete the Exam from the time you begin. Exam will be available beginning 8am Thursday, August 11, 2005.

FIN 324 Principles of Investments Online Summer II 2005

Submission Deadlines

- Q = Quiz
- T = Chapter Test
- A = Assignment
- MT = Mid Term Exam
- F = Final Exam
- Chapter Quizzes can be taken three times; covers only text chapter materials; the highest score counts as your grade.
- Chapter Tests can be taken only once; all Multiple Choice questions and problems.
- There are 5 Assignments, designated as A1 – A5 below.
- Mid Term Exam will cover chapters 1 – 10. Final Exam will cover chapters 11 – 19.
- All submissions must be completed before 11:00PM of the deadline date given below.
- Two of the lowest or missing chapter quiz and chapter test will be dropped in computing quiz or test average; any additional missing quiz or test will be scored zero. Missing assignments will be scored zero.
- All submission items will be open for several days before deadline as noted below and in the CALENDAR.

Q1	12-Jul	Q11	28-Jul
T1	12-Jul	T11	28-Jul
Q2	13-Jul	Q12	29-Jul
T2	13-Jul	T12	29-Jul
Q3	14-Jul	Q13	1-Aug
T3	14-Jul	T13	1-Aug
Q4	15-Jul	Q14	2-Aug
T4	15-Jul	T14	2-Aug
A1	15-Jul	Q15	3-Aug
Q5	18-Jul	T15	3-Aug
T5	18-Jul	A4	3-Aug
Q6	19-Jul	Q16	4-Aug
T6	19-Jul	T16	4-Aug
Q7	20-Jul	Q17	5-Aug
T7	20-Jul	T17	5-Aug
Q8	21-Jul	Q18	8-Aug
T8	21-Jul	T18	8-Aug
A2	21-Jul	A5	8-Aug
Q9	22-Jul	Q19	9-Aug
T9	22-Jul	T19	9-Aug
Q10	25-Jul	F	11-Aug
T10	25-Jul		
A3	25-Jul		
MT	27-Jul		

Course Overview

The COURSE SYLLABUS contains information about the course, including required text, assignments, exam schedule, etc. Assignments are listed here and should be cross-referenced with the CALENDAR for assignment deadlines. The COURSE CALENDAR and the COURSE SYLLABUS can be printed for easy referral throughout the semester. Since this is a distance-learning course, each student is responsible for completing the assignments as indicated in the schedule. Therefore, be sure to consult the COURSE CALENDAR AND SYLLABUS on a regular basis. Please use WebCT for all correspondence. To get started, click on one of the following links and let's begin our study of the principles of investments.

Course Content

Calendar

Communication Tools

**Quiz
(Hidden)**

My Grades

**Study Tools
(Hidden)**

**Instructor Resources
(Hidden)**

Syllabus

FUNDAMENTALS OF

INVESTMENTS VALUATION AND MANAGEMENT   3E   CORRADO JORDAN

Course Content

Welcome to the Online Learning Center for Fundamentals of Investments, 3/e.

The Online Learning Center is designed to help readers solidify their knowledge of course material by practicing its application.

If you purchased a new textbook, you also have an access code to enter the site's Premium Content that includes *Powerweb for Investments*, located in the 'Powerweb Aticles' page of each chapter. Powerweb is a dynamic service that includes current news, continually updated links, weekly updates, and related articles. Please click on the 'First Time Users' link in the Information Center to register for this content.

Course-Wide Content: Student Center

Chapter 1: A Brief History of Risk and Return

Chapter 2: Buying and Selling Securities

Chapter 6: Common Stock Valuation

Course Objectives

1. The student will be able to analyze and understand various financial instruments that are available to investors and the ways that these instruments are traded in markets.

2. The student will be able to apply valuation concepts to a wide range of assets, including equities and fixed-income securities.

6. The student will be able to use data from online sites such as EDGAR and SEC financial reporting database, and other sources of financial information to aid in developing sound investment policies.

The chapter summary and conclusion included as part of the chapter six module highlights how students will be learning about equity securities and how they are valued. The "Standard & Poor's Project" and "What's on the Web Exercise" show how students will apply what they know using current company data. The "PowerWeb Articles" page has examples of articles that may be used to foster discussion of current topics in investment analysis and finance.

FUNDAMENTALS OF
INVESTMENTS VALUATION AND MANAGEMENT 3E

**CORRADO
JORDAN**

Table of Contents

PowerWeb Articles, News Feeds & Weekly Update Archive

Current news, continually updated links, weekly updates, and related articles.

Multiple Choice Quiz

Tests to be taken after completing your study of this chapter to determine the effectiveness of your studying.

Summary & Conclusion

Summary highlighting the important points of the chapter.

Standard & Poor's Projects

End-of-chapter problems directly incorporating the Educational Version of Market Insight.

What's on the Web

Three to five end-of-chapter activities to learn from the vast amount of financial resources available on the Internet.

Get Real

Get a taste of what it means to be an investment manager - apply the material you just learned and make investment decisions.

Flashcards & Glossary

Key terms and definitions

Fundamentals of Investments, 3/e
Charles J. Corrado, University of Technology, Sydney
Bradford D. Jordan, University of Kentucky

INVESTMENTS

Summary & Conclusion

In this chapter, we examined several methods of fundamental analysis used by financial analysts to value common stocks. These methods belong to two categories: dividend discount models and price ratio models. We saw that:

1. Dividend discount models value common stock as the sum of all expected future dividend payments, where the dividends are adjusted for risk and the time value of money

2. The dividend discount model is often simplified by assuming that dividends will grow at a constant growth rate. A particularly simple form of the dividend discount model is the case in which dividends grow at a constant perpetual growth rate. The simplicity of the constant perpetual growth model makes it the most popular dividend discount model. However, it should be applied only to companies with stable earnings and dividend growth

3. Dividend models require an estimate of future growth. We described the sustainable growth rate, which is measured as a firm's return on equity times its retention ratio, and illustrated its use

4. Companies often experience temporary periods of unusually high or low growth, where growth eventually converges to an industry average. In such cases, analysts frequently use a two-stage dividend growth model

5. Price ratios are widely used by financial analysts. The most popular price ratio is a company's price-earnings ratio. A P/E ratio is calculated as the ratio of a firm's stock price divided by its earnings per share (EPS)

6. Financial analysts often refer to high-P/E stocks as growth stocks and low-P/E stocks as value stocks. In general, companies with high expected earnings growth will have high P/E ratios, which is why high-P/E stocks are referred to as growth stocks. Low-P/E stocks are referred to as value stocks because they are viewed as cheap relative to current earnings

7. Instead of price-earnings ratios, many analysts prefer to look at price-cash flow (P/CF) ratios. A price-cash flow ratio is measured as a company's stock price divided by its cash flow per share. Most analysts agree that cash flow can provide more information than net income about a company's financial performance

8. An alternative view of a company's performance is provided by its price-sales (P/S) ratio. A price-sales ratio is calculated as the price of a company's stock divided by its annual sales revenue per share. A price-sales ratio focuses on a company's ability to generate sales growth. A high P/S ratio suggests high sales growth, while a low P/S ratio suggests low sales growth

10. A common procedure using price-earnings ratios, price-cash flow ratios, and price-sales ratios is to calculate estimates of expected future stock prices. However, each price ratio method yields a different expected future stock price. Since each method uses different information, each makes a different prediction.

Standard & Poor's Projects

http://www.mhhe.com/edumarketinsight

1. **Constant Perpetual Growth Model** Locate the information for Emerson Electric Co. (EMR). If you follow the "Financial Hlts" link you will find the current stock price, most recent dividend, and the five-year growth rate for dividends. Assuming the five-year dividend growth rate is equal to the perpetual growth rate, what is the implied required return for Emerson shareholders? Does this number make sense?
2. **Sustainable Growth** What is the sustainable growth rate for Bob Evans Farms (BOBE)? Under "Excel Analytics" you will find a link for annual ratios. This report shows return on equity and the payout ratio. Calculate the sustainable growth rate for Bob Evans Farms each year for the past five years. Is the sustainable growth rate the same every year? Why or why not?
3. **Price Ratio Analysis** Locate the information for Walgreen (WAG). All of the information used in this problem is found under "Excel Analytics." Use the "Mthly. Adj. Prices" link and find the year-end stock price for Walgreen for all available years. Next, find the earnings per share for the last five years using EPS Basic from Operations. Locate the balance sheet for each of the past five years and record the Common Equity and Common Shares Outstanding. Use the Annual Cash Flow Statement to find the Net Cash Flow from Operating Activities. Divide both common equity and cash flow by the shares outstanding each year to find the annual book value per share and cash flow per share. Record these numbers. Calculate the price-earnings ratio, price-cash flow ratio, and price-book value ratio for each year. Using this information, compute the expected share price for Walgreen at the end of the next year using price ratio analysis.

What's on the Web

1. **Sustainable Growth Rate** You can find the home page for Caterpillar, Inc., at http://www.caterpillar.com. Go to this page and find the most recent annual report for Caterpillar. Calculate the sustainable growth rate for each of the past two years. Are these values the same? Why or why not?
2. **Sustainable Growth Rate** Go to http://finance.yahoo.com and get the information for Hewlett-Packard. Under the "Research" link you should find analysts' estimates for Hewlett-Packard's growth rate over the next five years. How does this compare to the industry, sector, and S&P 500 growth rates? Now find the EPS and dividends per share for Hewlett-Packard and calculate the sustainable growth rate. How does your number compare to analysts' estimates for the company? Why might these estimates differ?
3. **Perpetual Dividend Growth Model** Go to http://finance.yahoo.com and find the following information for IBM: the beta, the most recent annual dividend, and analysts' estimated growth rate. Next, find the three-month Treasury bill yield on http://finance.yahoo.com . Assuming the market risk premium is 9 percent, what is the required return for IBM? What is the value of IBM stock using the perpetual dividend growth model? Does IBM appear overpriced, underpriced, or correctly priced? Why might this analysis be inappropriate, or at least misleading?

EQUITY VALUATION

Article: 5. Shareholder Rights in Russia: Minority What?, *The Economist*, February 24, 2001
View in: Acrobat | HTML | Test Your Knowledge Form | Quiz Question

Global investing depends on information flow for market efficiency. Firms in developed countries provide financial reports regularly and are legally obligated to do so. In less developed financial markets, such as in Russia, it is not uncommon for firms to renege on these obligations. Weak regulatory oversight and lack of legal recourse for investors present challenges to financial statement analysis and ***equity valuation.***

Article: 7. Do-Over!, Erika Brown, *Forbes*, February 16, 2004
View in: Acrobat | HTML | Test Your Knowledge Form | Quiz Question

Venture capitalists are now returning to the market. Not necessarily to finance new start-ups, but to revive some of the old firms that looked so promising just a few years ago.

Article: 11. The Dividend Puzzle: Corporate Finance, *The Economist*, January 11, 2003
View in: Acrobat | HTML | Test Your Knowledge Form | Quiz Question

In the aftermath of the dot-com collapse, dividends are making a comeback. In recent years, buybacks and retaining earnings for future growth and investment have taken the place of dividends, but now, if the new Bush tax plan is enacted, dividends may make a comeback.

Article: 12. Exploiting Expectations, Alfred Rappaport and Michael J. Mauboussin, *Fortune*, January 21, 2002
View in: Acrobat | HTML | Test Your Knowledge Form | Quiz Question

Many venture backers fled thousands of falling startups.
A crafty few are fighting for their revival.

Like many venture capitalists, Promod Haque slammed a few home runs in the late Nineties bubble—but lately the big hits have been harder to come by for the managing partner of Norwest Venture Partners. One promising fledgling, a Voice over Internet Protocol play called Veraz Networks, has gone through a foreclosure, a merger, three name changes and two business plans.

But Haque stuck it out rather than cut and run as many VCs are prone to do. Now Veraz is coming back: It has $60 million in annual revenue and runs ten global networks, in Russia, India, Southeast Asia and elsewhere. Says Haque, "By the time the market picks up in the U.S., we'll already have a global leadership position."

Haque's past hits helped put him in the number one spot on this year's Forbes Midas List of 50 top American venture investors—and at an ideal time. Tech is back. It's sexy again. The Nasdaq has nearly doubled since October 2002. A multibillion-dollar public offering for Google is the talk of Silicon Valley dinner parties. Research outfit IDC says worldwide IT spending will rise 5% this year to $915 billion—a sizzling rebound after three flat or down years.

But some of the best VCs are operating differently this time around. They used to spend most of their time searching for obscure ideas that might someday become hot companies. Nine of ten ideas would fail, so they would readily abandon their flops to stoke another new hope. The boom and bust have turned this process upside down. Now instead of devoting all their efforts to new offspring, some VCs are taking out the defibrillator to revive the ideas and forgotten firms they or others backed once before.

Startups are out; restarts are in. "We're company builders, used to seeing opportunities in problems rather than seeing them as impossible things that should be avoided. This is what we're supposed to be doing as VCs," says Gary Morgenthaler of Morgenthaler Ventures.

It is difficult to pinpoint how much money is flowing into these do-overs, although one indicator may be the doldrums that still afflict the old-line venture business. Most venture funds started since 2000 are down by double-digit percentages. As many as 5,000 venture-backed companies still dangle somewhere between bankruptcy and mediocrity, VCs spent $906 million on first-time financings in the third quarter of 2003, but that is only one-seventh the amount they invested in the same quarter three years ago. Yet VCs have plenty of money to play with—up to $70 billion in committed, but not yet invested, capital.

Playing the restart game can be more thrilling than discovering a new idea. It's a chance to prove a theory correct, to step in and succeed where others have failed.

Jay C. Hoag, cofounder of Palo Alto, Calif.-based Technology Crossover Ventures, has won big recently by reviving deals that would have brought jeers three years ago. In August 2000, four months after the market began to crash, he made a private investment of $53 million for a 10% stake in publicly traded Expedia, the travel Web site. Then came Sept. 11, airline bankruptcies, SARS, war in Afghanistan (and, later, in Iraq) and a recession. As panicked customers canceled their trips, Expedia weathered a string of days when it paid out more in refunds than it took in for new trips.

But Hoag stayed on the board, initiating the acquisition of Travelscape, which gave Expedia access to the hotel business and a key edge over its main competitor, Travelocity. Expedia also invested in advertising when others pulled back. In February 2002 Barry Diller's InterActive Corp. bought a 65% stake in Expedia for $1.4 billion. A few months later he offered another $1.6 billion for the rest—a sudden 113% rise in valuation. Expedia management and some members of its board wanted to take it, but Hoag got everyone to wait.

It paid off. In August 2003 Diller agreed to pay a startling $3.4 billion for that last 35% chunk of Expedia—more than double his earlier offer. Hoag's 10% stake became diluted over time, but still returned ten times the original investment after the final deal. Thanks mostly to Expedia, Hoag's $1.4 billion fund, TCV IV, which had been down $250 million, was up $400 mil-

1

Big Spenders

While some dealmakers were in retreat and teeing off at Pebble Beach, these VCs were earning their management fees. The most active investors in the first nine months of 2003:

IN NUMBER OF DEALS:

New Enterprise Associates: 55
Austin Ventures: 37
Venrock Associates: 36
U.S. Venture Partners: 36
Intel Capital: 34

IN DOLLARS INVESTED:

Warburg Pincus: $237 mil
New Enterprise Associates: $169 mil
Austin Ventures: $141 mil
MPM Capital: $135 mil
Technology Crossover Ventures: $130 mil

Source: Thomson Financial Venture Economics/National Venture Capital Association.

Bust Barons

The Midas List credits venture capital players for wins that go back to mid-1995. But these five resourceful chaps deserve extra kudos: They have scored the top sales or IPOs since January 2001, the most grueling venture market to date.

NAME, FIRM, BUST-ERA DEALS

1. **David Marquardt,** August Capital Seagate Technology, Crystal Decisions
2. **David Bonderman,** Texas Pacific Group Hotwire, Crystal Decisions
3. **Roger McNamee,** Silver Lake Partners, Seagate Technology Ventures
4. **Jay C. Hoag,** Technology Crossover Expedia, Netflix, Altiris
5. **David Roux,** Silver Lake Partners, Crystal Decisions

lion. "Had we surrendered to the pressure, we would have had to resign our fund to negative territory forever," he says.

Another ambitious restart is Caspian Networks, a four-year-old firm that had hoped to challenge Cisco with a Faster router. Initially, its founder, Lawrence Roberts, raised $91 million from New Enterprise Associates, Paul Allen's Vulcan Ventures, U.S. Venture Partners and others. By 2000 it was valued at almost half a billion dollars.

Spending ran wild as the company opened three research centers across the country, each with feng shui accents such as waterfalls and pricey art, as well as pool tables and foosball. And though it had 380 employees and was burning $7 million a month in cash, Caspian had but one prospective customer.

It crashed with the telecom market, and by early 2002 its venture backers had written down the company's value almost to zero. But NEA's Peter Morris was convinced something was worth salvaging. And so in February 2002 the original players tried it again. Joined by Oak Investment Partners and Morgenthaler, they pumped in $120 million. "We had to cut our losses and accept the fact that we'd failed. Completely," says Morris.

A few months later he helped land L. William Krause, former chief of 3Com, as chief executive. Krause cut costs in

half and reduced staff from 380 to 125. Then they reworked the strategy, coming up with a "flow-based router" that prioritizes and monitors the stream of data from the source to its destination. Caspian's routers came out last year, and a few customers are testing them. "The easiest thing would have been to walk away," Morris says. "But if you believe in it long term, you have to stick with it." He adds: "It's risky as hell."

A NOTE ON METHOLOGY: The Midas List seeks to identify individuals who deploy venture capital to create wealth for their investors. Our ranking formula ignores the original amount invested in a deal (as it is often undisclosed), instead weighing most heavily the market capitalization of a venture-backed company on the close of its first day of trading or the purchase price in all acquisition. A lesser weight is given to the change in value of each investment since going public or being sold. Ranking also depends on a venture capitalist's (or lawyer's, banker's or recruiter's) length of involvement and influence with a startup. Companies must have gone public or been acquired after June 1995 to be considered, and they must be engaged in information technology or life sciences. Our results are based on extensive reporting and surveys sent to 1,000 professionals, including VCs, angels, lawyers, bankers, recruiters and limited partners. Special thanks go to ThomsonFinancial Venture Economics/National Venture Capital Association, Alternative Investor/Private Equity Analyst/VentureOne. Erika Brown, David Whelan, Michael K. Ozanian, Mitch Rand, Carl Subick, Leslie Kippen, Anton Klusener, Charles Brucaliere.

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Title of article **7. Do-Over!, Erika Brown, Forbes, February 16, 2004**

Briefly state the main idea of this article |_____|

List three important facts that the author uses to support the main idea |_____|

What information or ideas discussed in this article are also discussed in your textbook or other readings? List the textbook chapters and page numbers |_____|

List any examples of bias or faulty reasoning that you found in the article |_____|

List any new terms/concepts that were discussed in the article, and write a short definition |_____|

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Thursday, March 3, 2005

NYSE seat sells for $1.5 million, unchanged from last sale

March 3, 2005, 12:03 PM EST

NEW YORK (Dow Jones/AP) _ A New York Stock Exchange membership "seat" was sold Thursday for $1.5 million, unchanged from the last sale price two days earlier.

The prices for seats have been on the rise since hitting a multiyear low of $975,000 on Jan. 11.

At the NYSE, so-called seats confer the right to buy and sell stocks at the 212-year-old exchange.

During the early years of the NYSE, members would sit in assigned chairs during the roll call of stocks.

Many members do not trade themselves, but lease their seats to others.

There are 1,366 seats at the NYSE. The record for a seat sale was set in August 1999, when a membership was sold for $2.65 million.

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> Several trade associations have informative websites that can be helpful. For individual investors there is the American Association of Individual Investors (www.aaii.com) and for professional security analysts there is the New York Society of Security Analysts (www.nyssa.org). The Association for Investment Management and Research (www.aimr.com) provides a financial analyst's certification that is highly respected among security analysts.

Key Terms

fundamental analysis 177
dividend discount model (DDM) 178
constant growth rate model 179
constant perpetual growth model 180
geometric average dividend
   growth rate 182
arithmetic average dividend
   growth rate 182
sustainable growth rate 184
retained earnings 184
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Chapter Review Problems and Self-Test

1. **The Perpetual Growth Model** Suppose dividends for Tony's Pizza company are projected to grow at 6 percent forever. If the discount rate is 16 percent and the current dividend is $2, what is the value of the stock?

2. **The Two-Stage Growth Model** Suppose the Titanic Ice Cube Co.'s dividend grows at a 20 percent rate for the next three years. Thereafter, it grows at a 12 percent rate. What value would we place on Titanic assuming a 15 percent discount rate? Titanic's most recent dividend was $3.

3. **Price Ratio Analysis** The table below contains some information about the Jordan Air Co. Provide expected share prices using each of the three price ratio approaches we have discussed.

PRICE RATIO ANALYSIS FOR JORDAN AIR   CURRENT STOCK PRICE: $40

	Earnings (P/E)	Cash Flow (P/CF)	Sales (P/S)
Current value per share	$2.00	$6.00	$30.00
Five-year average price ratio	25	7	1.5
Growth rate	10%	16%	14%

Answers to Self-Test Problems

1. Plugging the relevant numbers into the constant perpetual growth formula results in

$$V(0) = \frac{\$2(1.06)}{.16 - .06} = \$21.20$$

As shown, the stock should sell for $21.20.

2. Plugging all the relevant numbers into the two-stage formula gets us

$$V(0) = \frac{\$3(1.20)}{.15 - .20}\left[1 - \left(\frac{1.20}{1.15}\right)^3\right] + \left(\frac{1.20}{1.15}\right)^3 \frac{\$3(1.12)}{.15 - .12}$$

$$= \$9.81 + \$127.25$$

$$= \$137.06$$

Thus, the stock should go for about $137.

3. Using the P/E approach, we come up with the following estimate of the price of Jordan Air in one year:

Estimated price = Average P/E × Current EPS × (1 + Growth rate)

$$= 25 \times \$2 \times 1.10$$

$$= \$55$$

Using the P/CF approach, we get:

Estimated price = Average P/CF × Current CFPS × (1 + Growth rate)

$$= 7 \times \$6 \times 1.16$$

$$= \$48.72$$

Finally, using the P/S approach, we get:

Estimated price = Average P/S × Current SPS × (1 + Growth rate)

$$= 1.5 \times \$30 \times 1.14$$

$$= \$51.30$$

Test Your Investment Quotient — IQ

1. **Sustainable Growth** A company has a return on equity of ROE = 20 percent, and from earnings per share of EPS = $5, it pays a $2 dividend. What is the company's sustainable growth rate?

    a. 8 percent
    b. 10 percent
    c. 12 percent
    d. 20 percent

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PROBLEMS

2. **Sustainable Growth** If the return on equity for a firm is 15 percent and the retention ratio is 40 percent, the sustainable growth rate of earnings and dividends is which of the following?

    a. 6 percent
    b. 9 percent
    c. 15 percent
    d. 40 percent

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PROBLEMS

3. **Dividend Discount Model** A common stock pays an annual dividend per share of $2.10. The risk-free rate is 7 percent and the risk premium for this stock is 4 percent. If the annual dividend is expected to remain at $2.10, the value of the stock is closest to:

    a. $19.09
    b. $30.00
    c. $52.50
    d. $70.00

Text pages continue to p. 218

Chapter 6:Multiple Choice Quiz

Name: Alan Eastman (Preview)
Start time: March 3, 2005 11:00pm
Number of questions: 10

Finish| Help|

___

Question 1 (points)

Due to its simplicity, the constant perpetual growth model can be usefully applied to any company.

- ◌ a. True
- ◌ b. False

Save answer|

Question 2 (points)

The substantive growth rate refers to dividend growth that can be sustained by a company's earnings.

- ◌ a. True
- ◌ b. False

Save answer|

Question 3 (points)

A firm's growth rate equals the retention ratio divided by its return on equity.

- ◌ a. True
- ◌ b. False

Save answer|

Question 4 (points)

Unlike the constant growth rate model, the two-stage dividend discount model is suitable for companies that don't pay dividends.

- ◌ a. True
- ◌ b. False

Save answer|

Question 5 (points)

Suppose a risky security has an equal probability of paying either $400 or $500 in one year. What is the present value of the expected future cash flow if the discount rate is equal to 5%?

- ◌ a. $380.95
- ◌ b. $428.57
- ◌ c. $476.19
- ◌ d. $452.38

Save answer|

Question 6 (points)

An analyst would expect Starbucks to have a

- ◌ a. low price/earnings ratio
- ◌ b. high price/earnings ratio
- ◌ c. low price/book ratio
- ◌ d. high price/book ratio

Save answer|

Question 7 (points)

A firm has a per share dividend of $4 and is expected to decrease by 15% per year for the next five years and then grow at a rate of 10%. Using the two stage model, determine the value of the stock. The discount rate is 8%.

- ○ a. $42.28
- ○ b. $10.35
- ○ c. $61.71
- ○ d. $52.35

Save answer

Question 8 (points)

Suppose that the dividend growth rate is 12 percent, the discount rate is 8 percent, there are 30 years of dividends to be paid, and the current dividend is $14. What is the value of the stock based on the constant growth model?

- ○ a. $558.23
- ○ b. $626.84
- ○ c. $708.93
- ○ d. $775.12

Save answer

Question 9 (points)

If the U.S T-bill rate is 4 percent and the stock market risk premium is 8 percent, then the CAPM discount rate for a security with a beta of 1.4 is

- ○ a. 12%.
- ○ b. 15.2%.
- ○ c. 5.6%.
- ○ d. 13.4%.

Save answer

Question 10 (points)

Under the constant growth version of the DDM,

- ○ a. $D_5 = D_0(1 + g)$
- ○ b. $D_5 = D_0(1 + g)^4$
- ○ c. $D_5 = D_3(1 + g)^2$
- ○ d. $D_5 = D_4(1 + g)^2$

Save answer

Finish   Help