

## SYLLABUS

### ECONOMICS / MANAGEMENT 341

### INVESTMENTS AND PORTFOLIO THEORY

SPRING TERM 2007

**INSTRUCTOR:** Dr. Linda L. Ravelle  
Comenius 217  
861-1453  
[mellr01@moravian.edu](mailto:mellr01@moravian.edu)

**HOURS:** M,W: 10:30 - 11:30 AM  
T,Th: 1:00 - 2:00 PM  
Also by appointment

**TEXT:** ESSENTIALS OF INVESTMENTS,  
Bodie, Kane & Marcus, 7<sup>th</sup> edition, Irwin/McGraw Hill

**OBJECTIVES:** This semester, you will incorporate the fundamental principles learned in economics, accounting, statistics, and finance into an understanding of the basic principles of investing and portfolio management. The course uses lectures, class discussions, assignments, group projects and exams to help you develop the critical thinking skills that will help you recognize, describe, and analyze practical investment problems. By the end of the semester you should be able to rationally select and analyze a wide variety of securities, from stocks and bonds to options and futures, and you should be able to construct and revise a portfolio.

**GRADES:** The course grade will be determined by the following formula:

Three Exams	55%
Research Paper	15%
Assignments	20%
Class Participation	10%

**EXAMS:** Exams consist of problems and essays. The two midterm exam dates are indicated on the syllabus. Makeup exams are only given in EMERGENCY situations, and are significantly different from the scheduled exam. Formulas and tables will be provided, but you must bring a calculator to each exam. You can not share calculators. Cell phones must be turned off and kept out of sight during all exams. \*The two highest exam grades will be worth 20% each, and the third will be worth 15%.

**GROUP PROJECT:** A description of the group project will be distributed in class.

**ASSIGNMENTS:** Text chapters are listed below and should be **read prior to class**. Homework assignments are due upon completion of material, as announced in class. Late assignments will be penalized one letter grade per day late.

“Q” refers to end-of-chapter questions, “P” refers to end-of-chapter problems, “WE” refers to end-of-chapter Web Exercises, and “Internet” assignments will be distributed in class. Please put all answers in your own words (do not simply cut-and-paste when using the internet to answer questions).

Please note that some of these assignments may be changed and that additional assignments may be made during the semester. If you miss class, you are responsible for finding out about changes in assignments.

**PARTICIPATION:** Please do not disrupt class by arriving late or leaving early. The class participation grade is based upon timely attendance (50%) as well as participation in class discussions (50%). Bring your textbooks to class. Cell phones must be turned off and kept out of sight during class.

**HONESTY:** All students are expected to adhere to the College’s Policy on Academic Honesty as outlined in the Student Handbook. Students who violate the Policy must accept the consequences dictated by this policy. A copy of the policy can be found on the College web site at: <http://www.moravian.edu/studentLife/handbook/academic2.htm>. If you have any questions about this policy, please see me.

**DISCLAIMER:** I will make every effort to cover all material outlined in this syllabus. However, unexpected events may cause the delay or removal of some material. These changes will be announced in class. You are required to come to class, and thus are responsible for keeping up with these changes.

DATE	TOPIC	CHAPTER	HOMEWORK
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Jan 15	Investments: Background and Issues	1	
17	Asset Classes and Financial Instruments	2	Internet Ch 2
22	Securities Markets	3	1-4,7
24			
29	Mutual Funds and Other Investment Companies	4	WE
31			
Feb 5	Risk and Return	5	Internet Ch 6
7	Efficient Diversification	6	P 1-3,9-12 Internet Ch 7
12			
14	EXAM I		
19	Capital Asset Pricing	7	Internet Ch 8
21			
26	Efficient Market Hypothesis	8	
28	Behavioral Finance and Technical Analysis	9	
11			
13	Bond Prices and Yields	10	P 5-8,10,16
18	Managing Bond Portfolios	11	
20			
25	EXAM II		
27	Macroeconomic and Industry Analysis	12	

<b>DATE</b>	<b>TOPIC</b>	<b>CHAPTER</b>	<b>HOMEWORK</b>
Apr 1			
3	Equity Valuation	13	
8	Financial Statement Analysis	14	
10			
15	Options Markets	15	
17	Option Valuation	16	
22	Futures Markets and Risk Management	17	
24	Performance Evaluation and Active Portfolio Management	18	
	APR 28 – MAY 3		FINAL EXAM PERIOD

## GROUP PROJECT

You should form a group of 4 students. Each group will prepare a top-down analysis. Group selection should be made no later than January 25<sup>th</sup>. a supporting paper. You should rehearse your presentation to be sure that it does not run more than 20 minutes. You may use PowerPoint to support your presentation. The paper should be word-processed in a uniform font, and should include a title page, appropriate citations and a bibliography. The body of this paper should be approximately 10 pages long. The top-down analysis should include:

**ECONOMIC ANALYSIS:** Use methods suggested in the text and class to do a complete analysis of the economy and the markets. Develop a consensus forecast for the coming year. You should use AT LEAST three sources. (Standard and Poor's Trends and Commentary, Standard and Poor's weekly Outlook, Value Line's weekly Survey, and the FED's Beige Book are useful here.)

**INDUSTRY ANALYSIS:** Select three industries that should perform well, given your assessment of the economy. Explain why you selected these industries, and briefly explain what they are. Select ONE of these and do an in-depth industry analysis. Use AT LEAST three sources. (Standard and Poor's Industry Surveys are essential, along with Hoover's Industry analysis and Value Line's Industry report.)

**COMPANY ANALYSIS:** Select the three most promising companies within the industry you chose to analyze. Explain why you selected these companies, and briefly summarize what each one does. Select ONE company and do an in-depth company analysis. Use AT LEAST three sources. (You can augment Standard and Poor's, Value Line and Hoover's with company and industry ratios from Reuters along with information from Yahoo!Finance.)

**TECHNICAL ANALYSIS:** Select one or more of the technical analysis techniques discussed in class to analyze the three securities you selected. Explain how this analysis affects your recommendation to buy, hold, or sell the security.