

**Jindal School of Management**  
**University of Texas at Dallas**  
*Course Syllabus*

**Course: FIN 4300**  
**Section: 501**  
**Semester: Spring 2016**  
**Class hours: Thur 7:00-9:45pm**  
**Classroom: JSOM 11.206**  
**Pre-requisites**

**Professor Jun Li**  
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**Office Hour: Thur 4:00-5:00pm**

Because of the risky nature of firms' investment, most financial decisions are made under uncertainty about firms' future cash flows. Therefore, statistical knowledge is required, especially knowledge on probability distributions, mean, variance, covariance, and regression analysis. Knowledge in spreadsheet (EXCEL or equivalent) is a must. We may have assignments involving extensive use of spreadsheet.

**Course Description**

Financial markets provide both challenges and opportunities for investors. You may wonder how professional investors manage their investments. This course is intended to provide a general discussion on capital markets, financial instruments, and investment process. We will emphasize the role of modern financial theory in portfolio management. Therefore, we will cover a wide range of topics such as trading, valuation, diversification and asset allocation, modern asset pricing models, performance measurement, active portfolio management, financial derivatives, and fixed income securities.

**Student Learning Objectives**

By the end of the course, I hope you will be able to independently analyze security markets, understand the available evidence and use it to make investment decisions. The course will also improve the ability to read the business press with a critical perspective. Specifically, there are three objectives:

1. Students will understand the characteristics of different financial assets such as money market instruments, bonds, and stocks, and how to buy and sell these assets in financial markets.
2. Students will understand the benefit of diversification of holding a portfolio of assets, and the importance played by the market portfolio.
3. Students will know how to apply different valuation models to evaluate fixed income securities, stocks, and if we have time, how to use different derivative securities to manage their investment risks.

**Required Textbooks and Reading Materials**

Teaching materials are drawn from several books, newspapers, and periodicals. There are assigned readings for each class. I expect students come to class prepared for the materials that

will be covered that day. You will find the materials much easier to grasp if you have read the assigned materials in advance.

- Required textbook: *Essentials of Investments* by Zvi Bodie, Alex Kane, and Alan Marcus, 9<sup>th</sup> edition, Irwin/McGraw Hill, 2012.
- Useful websites: investopedia.com, finance.yahoo.com

### **Grading Policy**

Your performance for the class will be based on problem sets and three midterms according to the following scale:

<b>Problem Sets</b>	<b>25%</b>
<b>Midterm Exam I</b>	<b>25%</b>
<b>Midterm Exam II</b>	<b>25%</b>
<b>Midterm Exam III</b>	<b>25%</b>
<b>Bonus Exercises</b>	

Letter grades will be given at the end of the semester based on the weighted average scores. The final grade will be curved based on relative performance. Request for re-grading must be in written form. I will re-grade the entire exam upon receiving your written re-grading request. I expect that all the work will be done in complete observance of the University's rules and regulations regarding academic integrity.

### **Course & Instructor Policies**

#### ***Homework***

There will be a problem set assigned almost every week. Only five of them will be collected and graded. I will drop the lowest grade (including the missing ones) on the problem sets so that only four count toward the final grade. All homework assignments should be submitted **in hard copy** prior to the end of the class on the due date. **No late homework will be accepted.** Group discussion is encouraged but each student must prepare his/her own solution to each problem set.

#### ***Exams***

There will be three in-class midterms but no final. In order to be fair to everyone, exams must be taken on the specified dates. For those who cannot take the tests on the date of exam due to business travel, you should take it before leaving the town. No makeup exam will be granted (with the exception of medical situation with a doctor's note). Having too many exams within a same day/week is not an accepted reason for moving the exam date. The exams will consist of conceptual and problem solving questions and they are **not** cumulative. All exams will be **closed book** and **closed notes**. No cell phone, PDA, financial or graphing calculator, laptop, iPad, and other electronic devices, except a SIMPLE (non-programmable) scientific calculator, are allowed. I will provide a cheat sheet with related formula listed. The cheat sheet will be posted on eLearning before the exam, so that you know ahead of time which formulas are included. You are not allowed to bring your own cheat sheet.

#### ***Bonus Exercises***

You will work with other students in a group. Each group has 4 or 5 members. In each week, one or two bonus problems will be assigned in class, and one group will be randomly chosen to solve the problems on board. Each problem is worth ½-2 points, depending on the length and complexity of

the problem. There is no penalty for providing a wrong answer, so every chosen group is strongly encouraged to make an attempt. Absent group members do not get any bonus credit.

### **Assignments and Academic Calendar**

<b><u>Week</u></b>	<b><u>Topic</u></b>	<b><u>Readings</u></b>
Jan. 11	Time Value of Money (TVM)	
Jan. 18	TVM	
Jan. 25	Stock Market Index	BKM 2
Feb. 1	Margin Trading	BKM 3
Feb. 8	Short Selling	BKM 3
Feb. 15	Midterm I	
Feb. 22	Risk and Return	BKM 5
Feb. 29	Asset Allocation	BKM 5
Mar. 7	Efficient Diversification	BKM 6
Mar. 14	Spring Break	
Mar. 21	Midterm Exam II	
Mar. 28	CAPM	BKM 7
Apr. 4	Efficient Market Hypothesis	BKM 8
Apr. 11	Bond Prices and Yields	BKM 10
Apr. 18	Equity Valuation	BKM 10 and 13
Apr. 25	Midterm Exam III	

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### **Student Conduct & Discipline**

The University of Texas System and The University of Texas at Dallas have rules and regulations for the orderly and efficient conduct of their business. It is the responsibility of each student and each student organization to be knowledgeable about the rules and regulations which govern student conduct and

activities. General information on student conduct and discipline is contained in the UTD publication, *A to Z Guide*, which is provided to all registered students each academic year.

The University of Texas at Dallas administers student discipline within the procedures of recognized and established due process. Procedures are defined and described in the *Rules and Regulations, Board of Regents, The University of Texas System, Part 1, Chapter VI, Section 3*, and in Title V, Rules on Student Services and Activities of the university's *Handbook of Operating Procedures*. Copies of these rules and regulations are available to students in the Office of the Dean of Students, where staff members are available to assist students in interpreting the rules and regulations (SU 1.602, 972/883-6391).

A student at the university neither loses the rights nor escapes the responsibilities of citizenship. He or she is expected to obey federal, state, and local laws as well as the Regents' Rules, university regulations, and administrative rules. Students are subject to discipline for violating the standards of conduct whether such conduct takes place on or off campus, or whether civil or criminal penalties are also imposed for such conduct.

### **Academic Integrity**

The faculty expects from its students a high level of responsibility and academic honesty. Because the value of an academic degree depends upon the absolute integrity of the work done by the student for that degree, it is imperative that a student demonstrate a high standard of individual honor in his or her scholastic work.

Scholastic dishonesty includes, but is not limited to, statements, acts or omissions related to applications for enrollment or the award of a degree, and/or the submission as one's own work or material that is not one's own. As a general rule, scholastic dishonesty involves one of the following acts: cheating, plagiarism, collusion and/or falsifying academic records. Students suspected of academic dishonesty are subject to disciplinary proceedings.

Plagiarism, especially from the web, from portions of papers for other classes, and from any other source is unacceptable and will be dealt with under the university's policy on plagiarism (see general catalog for details). This course will use the resources of turnitin.com, which searches the web for possible plagiarism and is over 90% effective.

### **Email Use**

The University of Texas at Dallas recognizes the value and efficiency of communication between faculty/staff and students through electronic mail. At the same time, email raises some issues concerning security and the identity of each individual in an email exchange. The university encourages all official student email correspondence be sent only to a student's U.T. Dallas email address and that faculty and staff consider email from students official only if it originates from a UTD student account. This allows the university to maintain a high degree of confidence in the identity of all individual corresponding and the security of the transmitted information. UTD furnishes each student with a free email account that is to be used in all communication with university personnel. The Department of Information Resources at U.T. Dallas provides a method for students to have their U.T. Dallas mail forwarded to other accounts.

### **Withdrawal from Class**

The administration of this institution has set deadlines for withdrawal of any college-level courses. These dates and times are published in that semester's course catalog. Administration procedures must be followed. It is the student's responsibility to handle withdrawal requirements from any class. In other words, I cannot drop or withdraw any student. You must do the proper paperwork to ensure that you will not receive a final grade of "F" in a course if you choose not to attend the class once you are enrolled.

### **Student Grievance Procedures**

Procedures for student grievances are found in Title V, Rules on Student Services and Activities, of the university's *Handbook of Operating Procedures*.

In attempting to resolve any student grievance regarding grades, evaluations, or other fulfillments of academic responsibility, it is the obligation of the student first to make a serious effort to resolve the matter with the instructor, supervisor, administrator, or committee with whom the grievance originates (hereafter called "the respondent"). Individual faculty members retain primary responsibility for assigning grades and evaluations. If the matter cannot be resolved at that level, the grievance must be submitted in writing to the respondent with a copy of the respondent's School Dean. If the matter is not resolved by the written response provided by the respondent, the student may submit a written appeal to the School Dean. If the grievance is not resolved by the School Dean's decision, the student may make a written appeal to the Dean of Graduate or Undergraduate Education, and the dean will appoint and convene an Academic Appeals Panel. The decision of the Academic Appeals Panel is final. The results of the academic appeals process will be distributed to all involved parties.

Copies of these rules and regulations are available to students in the Office of the Dean of Students, where staff members are available to assist students in interpreting the rules and regulations.

### **Incomplete Grade Policy**

As per university policy, incomplete grades will be granted only for work unavoidably missed at the semester's end and only if 70% of the course work has been completed. An incomplete grade must be resolved within eight (8) weeks from the first day of the subsequent long semester. If the required work to complete the course and to remove the incomplete grade is not submitted by the specified deadline, the incomplete grade is changed automatically to a grade of F.

### **Disability Services**

The goal of Disability Services is to provide students with disabilities educational opportunities equal to those of their non-disabled peers. Disability Services is located in room 1.610 in the Student Union. Office hours are Monday and Thursday, 8:30 a.m. to 6:30 p.m.; Tuesday and Wednesday, 8:30 a.m. to 7:30 p.m.; and Friday, 8:30 a.m. to 5:30 p.m.

The contact information for the Office of Disability Services is:

The University of Texas at Dallas, SU 22  
PO Box 830688  
Richardson, Texas 75083-0688  
(972) 883-2098 (voice or TTY)

Essentially, the law requires that colleges and universities make those reasonable adjustments necessary to eliminate discrimination on the basis of disability. For example, it may be necessary to remove classroom prohibitions against tape recorders or animals (in the case of dog guides) for students who are blind. Occasionally an assignment requirement may be substituted (for example, a research paper versus an oral presentation for a student who is hearing impaired). Classes enrolled students with mobility impairments may have to be rescheduled in accessible facilities. The college or university may need to provide special services such as registration, note-taking, or mobility assistance.

It is the student's responsibility to notify his or her professors of the need for such an accommodation. Disability Services provides students with letters to present to faculty members to verify that the student has a disability and needs accommodations. Individuals requiring special accommodation should contact the professor after class or during office hours.

### **Religious Holy Days**

The University of Texas at Dallas will excuse a student from class or other required activities for the travel to and observance of a religious holy day for a religion whose places of worship are exempt from property tax under Section 11.20, Tax Code, Texas Code Annotated.

The student is encouraged to notify the instructor or activity sponsor as soon as possible regarding the absence, preferably in advance of the assignment. The student, so excused, will be allowed to take the exam or complete the assignment within a reasonable time after the absence: a period equal to the length of the absence, up to a maximum of one week. A student who notifies the instructor and completes any missed exam or assignment may not be penalized for the absence. A student who fails to complete the exam or assignment within the prescribed period may receive a failing grade for that exam or assignment.

If a student or an instructor disagrees about the nature of the absence [i.e., for the purpose of observing a religious holy day] or if there is similar disagreement about whether the student has been given a reasonable time to complete any missed assignments or examinations, either the student or the instructor may request a ruling from the chief executive officer of the institution, or his or her designee. The chief executive officer or designee must take into account the legislative intent of TEC 51.911(b), and the student and instructor will abide by the decision of the chief executive officer or designee.

***These descriptions and timelines are subject to change at the discretion of the Professor.***