Investments

Instructor:  Walter Morales  
2158 CEBA  
225-578-6285  Campus Office  
225-343-9342  Downtown Office  
morales@lsu.edu

Office Hours:  Tuesdays and Thursdays from 7:30am to 9:00am or by appointment.  I enjoy the opportunity to meet with students to discuss the course, their grade or careers in finance (or other topics of your choice).  I encourage you to use email to contact me for an appointment or you may schedule an appointment with me after class.  If you have trouble reaching me or if your need to speak with me is urgent you may contact Shauna Garrett or Noel Caldwell in my downtown office.  They can be reached at the phone number above or via email: shauna@common.com  noel@common.com

Course Description:  This course was designed to provide students with a broad knowledge of investments and the analytical tools and techniques used to value assets.  The course is divided into five main areas of study.  First, the structure of financial markets will be discussed.  This will include a review of time value of money concepts and an introduction to the taxation of investment income.  Second, the course will examine the nature of equity investments, including common stock.  Third, the course will survey fixed income investments.  Students will explore a very diverse world of fixed income securities and the methods by which they are priced.  Fourth, students will study derivative securities such as options and futures contracts.  In this section we will also study tangible investments such as real estate and commodities.  Finally, the course will outline the major characteristics of portfolio management.


Procedures and Grading:
Students are expected to keep up to date on reading assignments. Examinations will include questions on class lectures, reading assignments, and textbook content. The learning process is enhanced when students read the assigned material before it is covered in class. Material that is not in the textbook will be introduced during class lectures. You are responsible for what is covered in class, excused absence or not.

Grades for the course will be determined as follows:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>90-100</td>
</tr>
<tr>
<td>B</td>
<td>80-89</td>
</tr>
<tr>
<td>C</td>
<td>70-79</td>
</tr>
<tr>
<td>D</td>
<td>60-69</td>
</tr>
</tbody>
</table>

Total Points 400

The grading scale may be curved at the end of the semester. Test will be mostly problems and short answer. Anyone who misses an examination must submit a written excuse. A make-up will be given during the general make-up session at the end of the semester, following the taking of the third examination unless other arrangements are made with the student.

Exams will not be returned to the student, but you are encouraged to view your answers in the instructor's office.
**Attendance** is required. In order to encourage attendance, quizzes may be given during class without advance notice.

**Policy on Academic Misconduct**

All acts of dishonesty in any work constitute academic misconduct. This includes, but is not necessarily limited to cheating, plagiarism, fabrication of information, and abetting any of the above. Academic dishonesty: Academic dishonesty may result in probation, suspension, or expulsion. For more information please refer to The Louisiana State University Handbook of Rights and Responsibilities in the Student-University Relationship.

**Course Success**

Students have a unique opportunity with each new semester. Your prior academic accomplishments or failings do not have a bearing on how you will do in this and other courses this semester. Your success will depend upon your performance and that will be decided by you. If you approach this course by not preparing for class and waiting until the week prior to the exam before studying, you will do very, very poorly in this course. That statement probably applies to most of your courses. The time to decide how much you wish to learn and how well you want to do this semester is NOW. I hope you will seize the moment, examine why you are here and task at hand and decide to make the most of this semester.
COURSE OUTLINE:

A. An Introduction to Investments
   1. Goals and investment alternatives
   2. Portfolio construction
   3. Risk-return trade-off
   4. Sources of risk
   5. Efficient and competitive markets

B. The Creation of Financial Assets
   1. The transfer of funds to business
   2. The issuing and selling of new securities
   3. The role of financial intermediaries
   4. Trends in competition among financial intermediaries

C. Security Markets
   1. Market makers
   2. Security exchanges
   3. How to read security quotations
   4. The mechanics of investing in securities
   5. Regulation

D. Sources of Investment Information
   1. Corporate sources of information
   2. Brokerage firms’ research reports
   3. Purchased sources of information
   4. Other sources of information

E. The Time Value of Money
   1. The future value of a dollar
   2. The present value of a dollar
   3. The future sum of an annuity
   4. The present value of an annuity

F. Risk and Efficient Markets
   1. Sources of risk
   2. The measurement of risk
   3. Risk reduction

G. Investment Companies
   1. Closed-end investment companies
   2. Unit-trust
   3. Mutual funds

H. The Valuation of Common Stock
   1. Shareholders’ rights
   2. Rates of return

3. Valuation as the present value of dividends and the growth of dividends
4. The investor’s required return, risk, and security valuation
5. The impact of financial leverage on earnings
6. The efficient market hypothesis

I. Rates of Return on Common Stock Investments
   1. Measures of stock performance: Average and indices
   2. Rates of return on investments in common stock
   3. Reducing the impact of price fluctuations: Averaging

J. Dividends
   1. Cash dividends
   2. Stock dividends
   3. The stock split
   4. Dividend reinvestment plans
   5. Estimating dividend growth rates

K. Analysis of Financial Statements
   1. Ratio analysis
   2. Liquidity ratios
   3. Activity ratios
   4. Profitability ratios
   5. Leverage or capitalization ratio

L. Technical Analysis
   1. Market indicators
   2. Specific stock indicators

SECOND EXAM (March 28th)

M. The Bond Market
   1. General features of debt instruments
   2. Risk
   3. The mechanics of purchasing bonds
   4. Variety of corporate bonds
   5. Retiring debts

N. The Valuation of Debt
   1. Perpetual debt
   2. Bonds with maturity dates
   3. Bond prices and yield
O. Government Securities
   1. Federal agencies’ debt
   2. State and local government debt
   3. Taxable municipal securities

P. Investing in Options, Futures, and Tangible Assets
   1. Leverage
   2. Warrants
   3. Calls
   4. Puts

Q. Commodity and Financial Futures
   1. Mechanics of investing in commodities
   2. Leverage
   3. Hedging
   4. Stock market futures

R. Collectibles and Precious Metals
   1. Precious metals and gems
   2. Hobbies and collectibles

S. Portfolio Planning, Management, and Evaluation
   1. Return
   2. Risk
   3. Selection
   4. Evaluation

THIRD EXAM (During week of Finals)