

**Commerce 3FB3
Security Analysis
Winter 2021 Course Outline**

**Finance and Business Economics Area
DeGroot School of Business
McMaster University**

COURSE OBJECTIVE

The objective of this course is to introduce students to the theory and practice of investment analysis. The student should obtain a broad knowledge of financial markets and portfolio management principles and develop understanding of the factors determining the average returns and the risk of financial assets.

INSTRUCTOR AND CONTACT INFORMATION

Section 1: Th 11:30am-2:20pm

Section 2: Fr 11:30am-2:20pm

Location: Virtual

Dr. Ronald Balvers,

Instructor

balvers@mcmaster.ca

Office: DSB A105

Office Hours: by appointment

Parastoo Ostad

Teaching Assistant

ostads@mcmaster.ca

Office Hours: TBA

Course website: <http://avenue.mcmaster.ca>

COURSE ELEMENTS

Credit Value:	3	Leadership:	No	IT skills:	Yes	Global view:	Yes
Avenue to Learn:	Yes	Ethics:	No	Numeracy:	Yes	Written skills:	Yes
Participation:	Yes	Innovation:	No	Group work:	Yes	Oral skills:	No
Evidence-based:	Yes	Experiential:	Yes	Final Exam:	No	Guest speaker(s):	No

COURSE DESCRIPTION

This course is taught on-line primarily through pre-recorded lectures, live lectures, numerical examples and exercises in Excel, readings, group and individual assignments, including an investment challenge, and an investment analysis. Students will gain a better understanding of both the theory and practice of investment analysis and selection. We will talk about the investment environment and financial markets. We will study how to evaluate securities and learn about investment management and performance assessment.

LEARNING OUTCOMES

Upon successful completion of this course, students will:

- Have a good understanding of financial markets and instruments
- Understand basic valuation techniques and how to use them to make investment decisions
- Have basic familiarity with portfolio theory and be able to conduct security and portfolio analysis
- Be able to assess the risks associated with various investment strategies
- Understand the various explanations of differences in average returns among assets

COURSE MATERIALS AND READINGS

Required Textbook:

Investments. Ninth Canadian Edition, by Z. Bodie, A. Kane, A.J. Marcus, L.N. Switzer, B. Boyko, C. Panasian and M. Stapleton; McGraw-Hill Ryerson, 2019.

- The **Connect** supplementary material is optional.

All other course materials are available on Avenue to Learn

- <http://avenue.mcmaster.ca>

EVALUATION

You will be evaluated based on five components according to the weights indicated below.

Missed tests/exams will receive a grade of zero unless the student has submitted and been approved for a Notification of Absence or MSAF. Late assignments will be penalized 10% for each day they are late. Your final grade will be calculated as follows:

Components	Weight
Individual Assignments (four out of five)	20%
Midterm Exam	25%
Participation	15%
Investment Challenge (group)	20%
Investment Analysis (group)	20%
Total	100%

NOTE 1: The use of a McMaster standard calculator is allowed during examinations in this course. See McMaster calculator policy.

NOTE 2: Attendance is not required. However, it will be difficult to obtain participation credit without regular attendance.

COMMUNICATION AND FEEDBACK

Students who wish to correspond with the instructor or TA directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Area Administrative Assistants. Instructors are required to provide evaluation feedback for at least 10% of the final grade to students prior to Week #9 in the term. Instructors may solicit feedback via an informal course review with students by Week #4 to allow time for modifications in curriculum delivery.

COURSE DELIVERABLES AND ASSESSMENT

Group Project–Investment Analysis

This assignment is worth 20% of your final grade. You will work in pre-assigned groups of 4 (possibly 3, depending on section totals). All members of the groups are expected to be familiar with the ENTIRE content of their submission as plagiarism is a serious academic offense and any sanctions would be applied to all group members.

Group Project–Investment Challenge

This assignment is worth 20% of your final grade. You will work in pre-assigned groups of 4 (possibly 3 for some, depending on section totals). The group will be different from that of the Investment

Analysis group project. All members of the groups are expected to be familiar with the ENTIRE content of their submission as plagiarism is a serious academic offense and any sanctions would be applied to all group members.

Midterm Exam

There is one midterm exam that accounts for 25% of your final grade. The exam will consist of multiple choice and short-answer questions and will cover material from the textbook, and the synchronized and asynchronous lectures. You will take the two-hour exam in a 24-hour window. **There will be no final exam.**

Individual Assignments

There will be five individual assignments. The average of your best four grades for the individual assignments submitted will count for 20% of your final grade. In addition, you have the **option** to use this individual assignment average grade to replace half of the grade for the worst of your two group assignments. I will automatically exercise this option for you if it helps your grade.

Participation

The average of your 5 best grades received for in-class assignments “quizzes” (out of 9 given during the term) will count for 15% of your final grade.

Each assignment, quiz, and exam must be submitted electronically on Avenue to Learn in the form of a Word document, Excel document, or in PDF format.

ACADEMIC INTEGRITY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the *Academic Integrity Policy*, located at:

www.mcmaster.ca/academicintegrity

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not your own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

AUTHENTICITY / PLAGIARISM DETECTION

In this course we will be using a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. Students will be expected to submit their work electronically either directly to Turnitin.com or via Avenue to Learn (A2L) plagiarism detection (a service supported by Turnitin.com) so it can be checked for academic dishonesty.

Students who do not wish to submit their work through A2L and/or Turnitin.com must still submit an electronic and/or hardcopy to the instructor. No penalty will be assigned to a student who does not submit work to Turnitin.com or A2L.

All submitted work is subject to normal verification that standards of academic integrity have been upheld (e.g., on-line search, other software, etc.). To see the Turnitin.com Policy, please visit;

www.mcmaster.ca/academicintegrity.

COURSES WITH AN ON-LINE ELEMENT

This course uses on-line elements (Avenue to Learn, Zoom). Students should be aware that, when they access Avenue to Learn or Zoom, private information such as first and last names, usernames for the McMaster e-mail accounts, and program affiliation may become apparent to all students in the same course.

Continuation in this course will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

ONLINE PROCTORING

Some courses may use online proctoring software for tests and exams. This software may require students to turn on their video camera, present identification, monitor and record their computer activities, and/or lock/restrict their browser or other applications/software during tests or exams. This software may be required to be installed before the test/exam begins.

CONDUCT EXPECTATIONS

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the [Code of Student Rights & Responsibilities](#) (the “Code”). All students

share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online**.

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g. use of Avenue to Learn, WebEx or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students' access to these platforms.

ACADEMIC ACCOMMODATION OF STUDENTS WITH DISABILITIES

Students with disabilities who require academic accommodation must contact [Student Accessibility Services](#) (SAS) at 905-525-9140 ext. 28652 or sas@mcmaster.ca to make arrangements with a Program Coordinator. For further information, consult McMaster University's [Academic Accommodation of Students with Disabilities](#) policy.

ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the [RISO](#) policy. Students should submit their request to their Faculty Office **normally within 10 working days** of the beginning of term in which they anticipate a need for accommodation or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

COPYRIGHT AND RECORDING

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by University instructors.

The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image may be recorded by others during the class. Please speak with the instructor if this is a concern for you.

EXTREME CIRCUMSTANCES

The University reserves the right to change the dates and deadlines for any or all courses in extreme circumstances (e.g., severe weather, labour disruptions, etc.). Changes will be communicated through regular McMaster communication channels, such as McMaster Daily News, A2L and/or McMaster email.

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

Students may request relief from a regularly scheduled midterm, test, assignment or other course components. Please refer to the policy and procedure on the DeGroote website at the link below;

<http://ug.degroote.mcmaster.ca/forms-and-resources/missed-course-work-policy/>

POTENTIAL MODIFICATION TO THE COURSE

The instructor reserves the right to modify elements of the course during the term. There may be changes to the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to **check their McMaster email and course websites weekly during the term and to note any changes.**

ACKNOWLEDGEMENT OF COURSE POLICIES

Your enrolment in Commerce 3FB3 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

ACTIVITY BREAK-DOWN

The scheduled class time, typically, will be spent as follows. First, live lecture for about 60 minutes. The live lectures cover parts of the material that are less technical. Second, a group break-out session for 30 minutes in which a quiz will be answered (and submitted individually within 24 hours after the end of the scheduled class). The quiz deals with the asynchronous lecture material assigned for the week, which will have been viewed prior to the class, and may also involve the live lecture material covered earlier in the class. Third, the remaining 60 minutes of scheduled class time are optional. They consist primarily of a question-and-answer session dealing with the material from the pre-recorded lectures of that week. Having viewed the lectures in advance, students will ask specific questions if parts of these lectures are unclear or need further explanation. The pre-recorded lectures cover the more abstract and technical parts of the material so that students may pause these lectures or repeat certain segments if needed. Understanding of the material may be enhanced in the group discussion and quiz. Remaining issues of how to apply the material can be addressed in the question-and-answer segment of the class.

ACTIVITY	DELIVERY	DESCRIPTION	TOOLS
Lecture Core Content	Asynch	Recorded lecture vids (1hr. a week). Covers more technical material.	Voiceover PPT in Camtasia
Readings	Asynch	Tied to weekly lectures	Readings in assigned textbook
Live Lectures	Synch	Approx. 1hr. live lecture covering less technical material.	Zoom
Group Discussions	Synch	Breakout rooms with assignments during lecture (30min.)	Zoom
Tutorials	Synch	Occasional live excel applications and problem discussions during lecture.	Zoom, Excel
Question and Answer	Synch	Optional at end of each live lecture. Questions about core content. Duration approx. 1hr.	Zoom

COURSE SCHEDULE

Commerce 3FB3, Security Analysis**Winter 2021 Course Schedule**

WEEK	DATE	TOPICS
1	Jan 14-15	Financial Markets and Institutions (no quiz) Read: Chapters 1, 2
2	Jan 21-22	Financial Instruments and Trading Read: Chapters 3, 4
3	Jan 28-29	Risk and Return Read: Chapter 5 informal course review
4	Feb 4-5	Risk and Portfolio Decisions Read: Chapters 6, 7. Assignment 1 due February 3
5	Feb 11-12	Index Models Read: Chapter 8
6	Feb 18-19	NO CLASS – READING WEEK
7	Feb 25-26	Catch-Up (no quiz) Assignment 2 due: February 24
8	Mar 4-5	MIDTERM EXAM: Chapters 1-8. Two-hour exam to be taken between Noon est. on March 4 and Noon est. on March 5
9	Mar 11-12	The CAPM Read: Chapter 9
10	Mar 18-19	Arbitrage Pricing Read: Chapter 10. Assignment 3 due March 17
11	Mar 25-26	Market Efficiency and Behavioral Finance Read: Chapters 11, 12. Assignment 4 due March 24
12	Apr 1-2*	Bond Pricing, Security Analysis Read: Chapters 14, 15, (16), (17), 18. Investment Challenge Assignment due April 1
13	Apr 8-9	Portfolio Analysis Read: Chapters 24, (26), (27). Assignment 5 due April 7

* April 2 class to be rescheduled due to Good Friday.

Investment Project Assignment (in lieu of Final Exam): due **April 22**.