

Commerce 3FB3
Securities Analysis
Winter 2024 Course Outline

Finance and Business Economics Area
DeGroot School of Business
McMaster University

INSTRUCTOR AND CONTACT INFORMATION

Monday 19:00 – 22:00 Class Location: TBA
Instructor

Wei-Ju (Fred) Liao

liaow7@mcmaster.ca

Office Hours: By appointment

Teaching Assistant

Parastoo (Paris) Ostad

ostads@mcmaster.ca

Office Hours: TBA

Course website: Please visit Avenue to Learn at <http://avenue.mcmaster.ca>

COURSE ELEMENTS

Credit Value: 3	Leadership: No	IT skills: No	Global view: Yes
A2L: Yes	Ethics: No	Numeracy: Yes	Written skills: Yes
Participation: Yes	Innovation: Yes	Group work: No	Oral skills: No
Evidence-based: Yes	Experiential: No	Final Exam: Yes	Guest speaker(s): No

COURSE INFORMATION

Lectures: 3 hours per week

Tutorials: To be announced

Course Delivery Mode: In-person, except for the first week (see course schedule below). However, in certain situations (e.g., a resurgence of Covid causing health risks), it may be necessary to switch to an on-line format. In that case, we will be using Zoom. The link will be subsequently provided.

Course Description: This course begins with an overview of investment environment and the structure of financial markets, followed by an in-depth illustration of key topics in the textbook. These topics include capital allocation to assets and portfolio management, the capital asset pricing model, valuation of securities, derivatives assets, and market efficiency.

COURSE LEARNING OUTCOMES

Upon completion of this course, students should be able to complete the following key tasks:

- Have a sound understanding of financial markets and instruments.
- Have a basic familiarity with portfolio theory.
- Have a good understanding of basic security valuation techniques and be able to use them to make investment decisions.

COURSE LEARNING GOALS

The goal of this course is to introduce students to the fundamental elements of security analysis, including financial markets and instruments, risk-return characteristics of investment decision making, and the valuation of common equity. By the end of the course, students should be able to apply the tools learned in this class to make informed investment decisions and manage portfolios of common stocks and related securities.

REQUIRED COURSE MATERIALS

Required:

Lecture slides and other course materials will be posted on Avenue to Learn

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

Textbook:

Investments, 10th Canadian Edition, by Z. Bodie, A. Kane, A. J. Marcus, L. Switzer, M. Stapleton, D. Boyko, and C. Panasian; McGraw-Hill Ryerson, 2022.

- [Campus store link for the textbook](#)

Calculator:

The use of a McMaster standard calculator is allowed during examinations in this course. See McMaster calculator policy at the following URL:

<https://secretariat.mcmaster.ca/app/uploads/2019/06/Undergraduate-Examinations-Policy.pdf>

COURSE EVALUATION

The instructor reserves the right to adjust the weights for materials covered during the term. Students are expected to come to class on time and be prepared for the class. Missed exams will receive a grade of zero unless the student has submitted and been approved for a Notification of Absence or MSAF. You will be evaluated based on four components according to the following weights:

Components and Weights

Participation	Three quizzes & course evaluations	10%
Assignment	Two assignments	30%
Mid-Term Exam	Exam (Weeks 1-6)	30%
Final Exam	Exam (Weeks 7 & 10-13)	30%
Total		100%

Grade Conversion

At the end of the course, your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme:

<u>LETTER GRADE</u>	<u>PERCENT</u>	<u>LETTER GRADE</u>	<u>PERCENT</u>
A+	90 - 100	C+	67 - 69
A	85 - 89	C	63 - 66
A-	80 - 84	C-	60 - 62
B+	77 - 79	D+	57 - 59
B	73 - 76	D	53 - 56
B-	70 - 72	D-	50 - 52
		F	00 - 49

COURSE DELIVERABLES

Participation

Participation accounts for **10%** of the total grade. The first component of participation is in the format of in-class quizzes. Grades of quizzes are mainly based on if students submit the quizzes. The quizzes are designed to help students better understand lectures and prepare for exams. The second component of participation is in the format of course evaluations. You are encouraged to provide feedback to your instructor in the middle and at the end of the term.

Assignments

There are two assignments throughout the term – one on each side of the midterm exam. The assignments are to be submitted electronically through the assignment portal on the course's Avenue page. Students will have two weeks to do each assignment. The two assignments account for **30%** of the total grade. The weight for missed assignments will **not** be added to other components of the course. In other words, students are advised to save the MSAF option for other purposes.

Mid-Term Exam

The mid-term exam accounts for **30%** of the total grade and will be completed individually in person. It will be closed book and formula sheet will be attached. The exam will cover the Weeks 1-6 material.

Final Exam

The final exam accounts for **30%** of the total grade and will be completed individually in person. It will be closed book and formula sheet will be attached. The exam will cover the Weeks 7 and 10-13 material.

COMMUNICATION AND FEEDBACK

Students who wish to correspond with instructors or TAs 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. In keeping with the University's academic regulations, all students who complete the required assignments and midterm will have received feedback for at least 10% of the final grade prior to the final date by which a student may cancel the course without failure by default. Instructors may solicit feedback via an informal course review with students by Week #4 to allow time for modifications in curriculum delivery.

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

In the event of an absence for medical or other reasons, students should review and follow the Academic Regulation in the Undergraduate Calendar [“Requests for Relief for Missed Academic Term Work”](#) and 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.

GENERATIVE AI

Students are not permitted to use generative AI in this course. In alignment with [McMaster academic integrity policy](#), it “shall be an offence knowingly to submit academic work for assessment that was purchased or acquired from another source”. This includes work created by generative AI tools. Also state in the policy is the following, “Contract Cheating is the act of “outsourcing of student work to third parties” (Lancaster & Clarke, 2016, p. 639) with or without payment.” Using Generative AI tools is a form of contract cheating. Charges of academic dishonesty will be brought forward to the Office of Academic Integrity.

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. **It is your responsibility to understand what constitutes academic dishonesty.**

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. For information on the various types of academic dishonesty please refer to the [Academic Integrity Policy](#).

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one’s 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

ONLINE COURSE COMPONENTS

In this course, we may use various on-line tools such as Zoom/MS Teams, Avenue to Learn and e-mail communications. Students should be aware that, when they access the electronic components of a course using these elements, private information such as first and last names, usernames for McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course. The available information is dependent on the technology used. Continuation in a course that uses on-line elements will be deemed consent to this disclosure.

If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

CONDUCT EXPECTATIONS

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all 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, Avenue to Learn and/or McMaster email.

ACKNOWLEDGEMENT OF COURSE POLICIES

Your enrolment in Commerce 3FB3 is 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.

COURSE SCHEDULE

WEEK	DATE	TOPICS* AND DESCRIPTIONS
1**	January 8	<ul style="list-style-type: none"> Investment Environment Financial Markets, Asset Classes, and Financial Instruments Reference Chapters in the Textbook: Chapters 1 & 2
2	January 15	<ul style="list-style-type: none"> Security Trading Mutual Funds Reference Chapters in the Textbook: Chapters 3 & 4
3	January 22	<ul style="list-style-type: none"> Return and Risk Reference Chapters in the Textbook: Chapter 5 In-class Quiz #1 (expected) & Tutorial #1: Problem solving (TBA)
4	January 29	<ul style="list-style-type: none"> Capital Allocation to Risky Assets Efficient Diversification Reference Chapters in the Textbook: Chapters 6 & 7
5	February 5	<ul style="list-style-type: none"> Index Models The Capital Asset Pricing Model Reference Chapters in the Textbook: Chapters 8 & 9 (Assignment #1 posted on Avenue on February 5)
6	February 12	<ul style="list-style-type: none"> Arbitrage Pricing Theory and Multifactor Models Efficient Market Hypotheses Reference Chapters in the Textbook: Chapter 10 & 11 In-class Quiz #2 (expected) & Tutorial #2: Problem solving (TBA)
7	February 19	<ul style="list-style-type: none"> Equity Evaluation Models Reference Chapters in the Textbook: Chapter 18 Mid-Term Review and Course Evaluations (Assignment #1 due February 19 at 23:59 pm)
8	February 26	No Class (Mid-Term Recess)
9	March 4	Mid-Term Exam (In-Class)
10	March 11	<ul style="list-style-type: none"> Bond Prices and Yields Reference Chapters in the Textbook: Chapter 14
11	March 18	<ul style="list-style-type: none"> Term Structure of Interest Rates Reference Chapters in the Textbook: Chapters 15 & 16
12	March 25	<ul style="list-style-type: none"> Options Reference Chapters in the Textbook: Chapters 20 & 21 In-class Quiz #3 (expected) & Tutorial #3: Problem solving (TBA) (Assignment #2 posted on Avenue on March 25)
13	April 1	<ul style="list-style-type: none"> Forwards and Futures Reference Chapters in the Textbook: Chapters 22 & 23
14	April 8	Final Review (Assignment #2 due April 8 at 23:59 pm)
	April 12 – 25	Final Exam Weeks

*Chapter numbers refer to Bodie et al, 10th Canadian Edition.

**The first lecture will be held online via Zoom. Please see the announcement on the course's Avenue page.