

**MBA F713
Security Analysis
Winter 2020 Course Outline**

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

COURSE OBJECTIVE

The goal of this course is to introduce students to the fundamental elements of security analysis, including financial markets and instruments, investment theory and the valuation of equity, derivatives and bonds. By the end of the course, students should be able to apply the tools learned in this class to evaluate the performance of portfolios and make investment decisions

INSTRUCTOR AND CONTACT INFORMATION

William Huggins

Instructor

hugginsw@mcmaster.ca

Office: DSB 309

Office Hours: by appointment (usually after class)

Tel: (647) 289-9240

Student TA

TBA

TBA@mcmaster.ca

Office Hours: TBA

Course website: Avenue to Learn

COURSE ELEMENTS

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

COURSE DESCRIPTION

This course is taught primarily through lectures, readings, an investment challenge and in-class discussions. Through taking this course, 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 investment management and performance assessment. We will also study how to evaluate securities, including equities, bonds and derivatives. This course serves as a useful introduction to the Chartered Financial Analyst (CFA) curriculum.

LEARNING OUTCOMES

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

- Have a good understanding of the financial markets and instruments
 - Have a good understanding of basic valuation techniques and be able to use them to make investment decisions
 - Build a discounted cash flow valuation model for a company
 - Have a basic familiarity with portfolio theory and be able to conduct security and portfolio analysis
 - Assess the risks associated with various investment strategies
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COURSE MATERIALS AND READINGS

Required:

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.

Course Materials Are Available on Avenue To Learn

➤ <http://avenue.mcmaster.ca>

EVALUATION

You will be evaluated based on three components according to the weights indicated below. The instructor reserves the right to modify the weightings to adjust for more or less material covered during the semester.

Components and Weights

Midterm Exam February 24 th 7-10pm	30%
Group Project Due March 30 th	30%
Final Exam	40%
Total	100%

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

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:

LETTER GRADE	PERCENT	POINTS
A+	90-100	12
A	85-89	11
A-	80-84	10
B+	75-79	9
B	70-74	8
B-	60-69	7
F	00-59	0

Communication and Feedback

Students who are uncomfortable in directly approaching an instructor regarding a course concern may send a confidential and anonymous email to the respective Area Chair or Associate Dean: <http://mbastudent.degroote.mcmaster.ca/contact/anonymous/>

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 Administrative Assistant.

Methods of Assessment

Group Project – Stock Pitch

This assignment is worth 30% of your final grade. You may work in groups of 1-4 (you CAN do the assignment by yourself but I recommend building a group to work with as the project is substantial and no consideration in grading will be given to smaller groups). 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 30% of your final grade. The exam will cover material from the text book, readings, lectures and class discussion.

Final Exam

This exam (40% of the course grade) will be cumulative, covering the entire course (more weight will be put on content after the midterm to ensure an even balance of assessment).

ACADEMIC DISHONESTY

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 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

MISSED ACADEMIC WORK

Missed Mid-Term Examinations / Tests / Class Participation

Where students miss a regularly scheduled mid-term or class participation for legitimate reasons as determined by the Student Experience – Academic (MBA) office, the weight for that test/participation will be distributed across other evaluative components of the course at the discretion of the instructor. Documentation explaining such an absence must be provided to the Student Experience – Academic (MBA) office within five (5) working days upon returning to school.

To document absences for health related reasons, please provide to Student Experience – Academic (MBA) office the Petition for Relief for MBA Missed Term Work and the McMaster University Student Health Certificate which can be found on the DeGroot website at <http://mbastudent.degroot.mcmaster.ca/forms-and-applications/>. Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. University policy states that a student may submit a maximum of three (3) medical certificates per year after which the student must meet with the Director of the program.

To document absences for reasons other than health related, please provide Student Experience – Academic (MBA) office the Petition for Relief for MBA Missed Term Work and documentation supporting the reason for the absence.

Students unable to write a mid-term at the posted exam time due to the following reasons: religious; work-related (for part-time students only); representing university at an academic or varsity athletic event; conflicts between two overlapping scheduled mid-term exams; or other extenuating circumstances, have the option of applying for special exam arrangements. Such requests must be made to the Student Experience – Academic (MBA) office at least ten (10) working days before the scheduled exam along with acceptable documentation. Instructors cannot themselves allow students to unofficially write make-up exams/tests. Adjudication of the request must be handled by Student Experience – Academic (MBA).

If a mid-term exam is missed without a valid reason, students will receive a grade of zero (0) for that component.

Missed Final Examinations

A student who misses a final examination without good reason will receive a mark of zero (0) on the examination.

All applications for deferred and special examination arrangements must be made to the Student Experience – Academic (MBA) office. Failure to meet the stated deadlines may result in the denial of these arrangements. Deferred examination privileges, if granted, must be satisfied during the examination period at the end of the following term. There will be one common sitting for all deferred exams.

Failure to write an approved deferred examination at the pre-scheduled time will result in a failure for that examination, except in the case of exceptional circumstances where documentation has been

provided and approved. Upon approval, no credit will be given for the course, and the notation N.C. (no credit) will be placed on the student's transcript. Students receiving no credit for a required course must repeat the course. Optional or elective courses for which no credit is given may be repeated or replaced with another course of equal credit value.

Requests for a second deferral or rescheduling of a deferred examination will not be considered.

Any student who is unable to write a final examination because of illness is required to submit the Application for Deferred MBA Final Examination and a statement from a doctor certifying illness on the date of the examination. The Application for Deferred MBA Final Examination and the McMaster University Student Health Certificate can be found on the DeGroot website at <http://mbastudent.degroot.mcmaster.ca/forms-and-applications/> Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. Students who write examinations while ill will not be given special consideration after the fact.

In such cases, the request for a deferred examination privilege must be made in writing to the Student Experience – Academic (MBA) office within five business days of the missed examination.

Special examination arrangements may be made for students unable to write at the posted exam time due to compelling reasons (for example religious, or for part-time students only, work-related reasons):

- Students who have religious obligations which make it impossible to write examinations at the times posted are required to produce a letter from their religious leader stating that they are unable to be present owing to a religious obligation.
- Part-time students who have business commitments which make it impossible to write examinations at the times posted are required to produce a letter on company letterhead from the student's immediate supervisor stating that they are unable to be present owing to a specific job commitment.

In such cases, applications must be made in writing to the Student Experience – Academic (MBA) office at least ten business days before the scheduled examination date and acceptable documentation must be supplied.

If a student is representing the University at an academic or athletic event and is available at an overlapping scheduled time of the test/examination, the student may write the test/examination at an approved location with an approved invigilator, as determined by the Student Experience – Academic (MBA) office.

In such cases, the request for a deferred examination privilege must be made in writing to the Student Experience – Academic (MBA) office within ten business days of the end of the examination period.

Note: A fee of \$50 will be charged for a deferred exam written on campus and a fee of \$100 for deferred exams written elsewhere. In cases where the student's standing is in doubt, the Graduate Admissions and Study Committee may require that the student with one or more deferred examination privileges refrain from re-registering until the examination(s) have been cleared.

STUDENT ACCESSIBILITY SERVICES

Student Accessibility Services (SAS) offers various support services for students with disabilities. Students are required to inform SAS of accommodation needs for course work at the outset of term. Students must forward a copy of such SAS accommodation to the instructor normally, within the first three (3) weeks of classes by setting up an appointment with the instructor. If a student with a disability chooses NOT to take advantage of an SAS accommodation and chooses to sit for a regular exam, a petition for relief may not be filed after the examination is complete. The SAS website is:

<http://sas.mcmaster.ca>

POTENTIAL MODIFICATION TO THE COURSE

The instructor and university reserve the right to modify elements of the course during the term. The university may change 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 registration and continuous participation (e.g. on A2L, in the classroom, etc.) to the various learning activities of MBA XXXX 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.

COURSE SCHEDULE

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WEEK	DATE	TOPICS
1	Jan 6	Financial Institutions and the Financial System Read: Chapters 1, 2, 5
2	Jan 13	Trading, Markets, and Security Analysis Read: Chapter 3
3	Jan 20	Risk-based Pricing Models Read: Chapters 8, 9, 10
4	Jan 27	Macroeconomics for Security Analysis Read: Chapter 17
5	Feb 3	Discounted Cash Flow Models and Ratio Analysis Read: Chapters 18, 19
6	Feb 10	Analyzing Management and other Qualitative Factors Read: Slides on Avenue
7	Feb 17	NO CLASS – READING WEEK
8	Feb 24	MIDTERM EXAM
9	Mar 2	Bond Pricing and Yields Read: Chapter 14
10	Mar 9	Analysis of Bonds and other Fixed Income Instruments Read: Chapters 15, 16
11	Mar 16	Option Contracts and Pricing Models Read: Chapters 20, 21
12	Mar 23	Forward, Futures, and Swaps Read: Chapters 22, 23
13	Mar 30	Portfolio Construction Read: Chapters 7, 8, 28
14	April 6	Portfolio Analysis Read: Chapters 24, 27