

**INTER AMERICAN UNIVERSITY OF PUERTO RICO  
METROPOLITAN CAMPUS  
BUSINESS FACULTY  
GRADUATE DEPARTMENT  
MBA FINANCE PROGRAM**

**SYLLABUS**

**I. GENERAL INFORMATION**

Course title: Investments  
Code and Number: BADM 6230  
Credits: 3  
Academic Term:  
Instructor  
Office Location and Hours:  
Office Telephone  
E-Mail:

**II. DESCRIPTION**

Analysis of the factors and variables on decision making of financial instrument investment. Emphasis on the understanding of techniques and models of capital assets valuation, individually as well as in the context of instruments portfolio and valuation relative to the market. Study of different types of patrimony, debt and derivative financial instruments, as well as, of their respective markets. Prerequisite: Managerial Finance I (BADM 5190)

**III. OBJECTIVES**

It is expected that upon completing the course, the student should be able to:

1. Discuss the investments settings and context
  - a. Present the basic concepts of investments' decision making.
  - b. Identify the factor influencing global investments.
  - c. Present the main securities markets and indexes.
2. Discuss the efficient capital market assumption and pricing models.
  - a. Present efficient market assumptions.
  - b. Identify the main pricing models.
  - c. Discuss the measurement of risk and return in pricing models.
3. Evaluate the capital valuation with respect to investment decision.
  - a. Present stock valuation models, theories and management.
  - b. Present bond valuation models and management.

- c. Analyze the behavioral issues related to stock and bond valuations.
4. Evaluate debt and derivative financial instruments.
    - a. Compare between various theories in evaluating debt and derivative financial instruments.
    - b. Analyze the factors influencing debt and derivative financial instruments.
    - c. Evaluate the debt and derivative financial instruments in investment decision making.

#### **IV. CONTENT**

1. Unit I: Investment backgrounds. (chapters 1, 2, 3, 4 and 5)
  - a. The basic concepts of investments.
    - i. time value of money (discounting) – Appendix 4A
    - ii. review of statistics and probabilities
    - iii. financial accounting (ratio analysis)
  - b. Risk and return (Chapter 4)
  - c. Capital Asset Pricing Models (CAPM) (Chapter 5)

#### **Quiz #1 -**

2. Unit 2: Stocks and bonds (chapters 6, 7, 8, and 9)
  - a. Security valuation.
  - b. Stocks valuation and indexes.
  - c. Fundamental analysis (Chapter 7)
  - d. Technical Analysis (chapter 9)

#### **Quiz #2 -**

- e. Fixed Income Instruments (Chapter 10)
- f. Bonds valuation and strategies (Chapter 11)

#### **Quiz #3 -**

3. Unit 3: Efficient capital markets and pricing models. (chapters 4 and 13)
  - a. Modern portfolio theory
  - b. Efficient capital markets
  - c. Capital Asset Pricing Models (CAPM) – yes, CAPM again!
  - d. Multifactor models of risk and return.

#### **Quiz #4 -**

4. Unit 4: Debt and derivatives financial instruments (chapters 14 and 15)

- a. Derivatives market.
- b. Forward and future.
- c. Options and swaps.

### **Quiz #5**

## **V. LEARNING ACTIVITIES**

The applied nature of much of the accounting/finance/management information in the MBA Program demands a range of teaching and learning methods. These methods include direct contact with the instructor (using Blackboard), discussion of specific issues with other students, learning, reading, individual and group projects, accessing data using the internet, computer tools and programs (Excel is used most frequently), and analysis of companies data. The feedback will be offered through Blackboard system. The main activities of the course include the following issues:

- A. Students should read the material from the course content available in Blackboard and the recommended text(s). Any question, comparison or clarification of a topic or an issue should be delivered immediately to the instructor through Blackboard. Avoid duplications of mails.
- B. Students are required to search for some topics, data, cases, and examples in the internet to complement the class content. Students are entitled to realize a practical research (real applications using companies' data). The intended research consists of related parts and should be realized within the time established in the class calendar (through "Blackboard Assignment Box").
- C. How to use group discussion for the Projects parts: Students can form groups to discuss their selection of companies, data collection, data calculation, data analysis and preparing final draft. Students can share the source of data, validating data, and helping each other in how to calculate some financial indicators, how to prepare tables, how to use Excel, and how to prepare final draft. Each student should write his own project's parts and cannot use the same paragraphs used by other students to avoid PLAGIARISM.
- D. COMMUNICATION: To avoid problems in accessing the course, you have to be sure that you have a good access. Remember the professor can answer issues with respect the material of the course and cannot help you if you have problem in technology. Communication and technology problems should be notified to Information Technology Center (CIT).
- E. You have to access the course at least two times per week. If you fail to do this, the professor might withdraw you from the course. The instructor may update the course content giving new exercises, quizzes or modifying dates and contents of the course. You have to be aware about all messages and new material posted in the system.

## **VI. EVALUATION**

A	End-of-term-project		20%
B	Case Studies and homework	20%	
C.	Quizzes		60%

A few ungraded problem sets may be distributed. Conversion of your overall percentage into a letter grade will be:

Overall Percentage	Letter Grade
100 - 90	A
89 - 80	B
79 - 70	C
69- 0	F

No make-up exams are allowed. You will be allowed to have a calculator the day of the exam, but you may not use the calculator in your mobile, iPad, Tablet, etc. A financial calculator will be permitted to write quizzes and exams in this course. For students planning on writing the Chartered Financial Analyst (CFA) exams, take note that the Texas Instrument BAII Plus and the Hewlett Packard 12-C are two permissible calculators for writing the exam<sup>1</sup>.

Any inconvenience or any condition that will not enable a student to take one of the required evaluations should be discussed with the instructor before the date of the evaluation. No “Feedback” will be given in the last day of any evaluation. Problems with the evaluations (e.g. dates, material etc.) should be communicated to your professor before the date of the evaluation. Please do not send messages after the exam saying you couldn’t take it for any reason.

Homework problems will be assigned, and these will be graded only for completeness, not for correctness (but bad spelling and grammar will be penalized). *All documentation must be in handwriting but submitted on pdf format and in English.* The homework problems provide a good indication of the types of problems that you will encounter on exams (all exams will be in English as well). Homework must be submitted in pdf format and should be completed neatly and professionally. Handwritten answers are fine so long as everything is neat and legible. Please show all your work in deriving answers. The final exam will be closed-note and closed-text.

All exams require RPNOW, you can find information about this requirement in the Welcoming Page of the course. Also, you can contact the Technology Development Center “CENTRO APRENDIZAJE A DISTANCIA Y DESARROLLO TECNOLÓGICO” (CADDIT) or the CIT personnel for more information about the RPNOW platform. Also, students can take exams in the Metropolitan Campus facilities. Available seating in the CADDIT is limited. If you decide to take the exams at the CADDIT, call at least one week in advance. Please do not assume you can show up at the CADDIT and will be accommodated immediately.

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## VII SPECIAL NOTES

### A. Auxiliary services or special needs

All students who require auxiliary services or special assistance must request them at the beginning of the course or as soon as they become aware that they need them, through the corresponding registry, in the Office of the Coordinator of services for students with disabilities, Dr. María de los Ángeles Cabello. She is located in the Counseling and Counseling Program, office 111, on the first floor of the John Will Harris building, extension 2306

### B. Honesty, fraud, and plagiarism

Dishonesty, fraud, plagiarism and any other inappropriate behavior in relation to academic work constitutes major infractions sanctioned by the General Student Regulations. The major infractions, as stated in the General Student Regulations, may have as a consequence, suspension from the University for a definite period greater than one year or the permanent expulsion from the University, among others sanctions.

### C. Use of electronic devices

Cellular telephones and any other electronic device that could interrupt the teaching and learning processes or alter the environment leading to academic excellence will be deactivated. Any urgent situation will be dealt with, as appropriate. The handling of electronic devices that allow students to access, store or send data during evaluations or examinations is prohibited

### D. Compliance with the Provisions of Title IX

The Federal Higher Education Act, as amended, prohibits discrimination because of sex in any academic, educational, extracurricular, and athletic activity or in any other program or function, sponsored or controlled by a higher education institution, whether or not it is conducted within or outside the property of the institution, if the institution receives federal funds.

In harmony with the current federal regulation, in our academic unit an Assistant Coordinator of Title IX has been designated to offer assistance and orientation in relation to any alleged incident constituting discrimination because of sex or gender, sexual harassment or sexual aggression. The Assistant Coordinator Sr. George Rivera can be reached by phone at extension 2262 o 2147, or by e-mail [grieverar@metro.inter.edu](mailto:grieverar@metro.inter.edu).

The Normative Document Titled **Norms and Procedures to Deal with Alleged Violations of the Provisions of Title IX** is the document that contains the institutional rules to direct any complaint that appears to be this type of allegation. This document is available in the Web site of Inter American University of Puerto Rico ([www.inter.edu](http://www.inter.edu)).

## IX. EDUCATIONAL RESOURCES

### A. Textbooks:

1. Gitman, L.J. and M.D. Joehnk (2017), Fundamentals of Investing. 14<sup>th</sup> ed. Pearson (ISBN 978-0134083308).

### Supplementary textbooks:

2. Smart, S.B. and C.J. Zutter. 2019, Fundamentals of Investing. Global Edition. Pearson. (ISBN # 978-1292316970)
3. Bianconi, M. (2012), Financial Economics, Risk and Information. 2<sup>nd</sup> Ed. World Scientific. (ISBN # 978-9814355131). Highly recommended for those aspiring CFA's or doctoral students or both.

## X. BIBLIOGRAPHY (OR REFERENCES)

### B. Reference Books

1. Alexander G., Sharpe W. & Bailey J. Fundamentos de Inversiones Teoría y Práctica, Person-Prentice Hall.
2. Allen, F., E. Carletti, J.P. Krahen y M. Tyrell, 2011, Liquidity and Crisis, Oxford University Press.
3. Friedman, T., 2005, The World is flat: a brief history of the twenty-first century.
4. Guembel, A. y O. Sussman, 2009, Sovereign Debt without Default Penalties, *The Review of Economic Studies*, Vol. 76: 1297-1320.
5. Jones, Charles P. Investment, 11th Edition, John Wiley (ISBN:9780470477120)
6. Kramer, Mark R. and Michael E. Porter, The Big Idea: Creating Share Value, 2011, *Harvard Business Review*, January-February 2011m (disponible a través de [http://www.waterhealth.com/sites/default/files/Harvard\\_Buiness\\_Review\\_Shared\\_Value.pdf](http://www.waterhealth.com/sites/default/files/Harvard_Buiness_Review_Shared_Value.pdf)) Reprint R1101C

### 7. Additional readings:

#### The Wall Street Journal

- a. The Financial Times
- b. The Economist
- c. Business section from the local newspapers
- d. A Short History of US Credit Defaults (<http://mises.org/daily/5463>)
- e. Movies and documentaries
  - i. Inside Job
  - ii. Commanding Heights
  - iii. Enron: The smartest guys in the room
  - iv. Frontline: Bigger than Enron
- f. Videos de Frontline:

- i. The Ascent of Money -  
<http://www.pbs.org/wnet/ascentofmoney/featured/watch-the-two-hour-the-ascent-of-money/24/>
- ii. Inside the Meltdown -  
<http://www.pbs.org/wgbh/pages/frontline/meltdown/view/>
- iii. The Warning - <http://www.pbs.org/wgbh/pages/frontline/warning/view/>
- iv. Breaking the Bank -  
<http://www.pbs.org/wgbh/pages/frontline/breakingthebank/view/>
- g. A Short History of US Credit Defaults - <http://mises.org/daily/5463>

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