

P19: ECON-139 Sec 01 - Prin of Invest

San José State University
Department of Economics

Econ 139 Principles of Investments
Spring 2018

Course and Contact Information

Instructor:	Peter Verbica, CFP®, CRPC®, MS, JD
Office Location:	DMH 219
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Office Hours:	Monday 5:30 pm to 6:15 pm and by appointment
Class Days/Time:	Monday 6:30 pm
Classroom:	DMH 358

COURSE DESCRIPTION AND OVERVIEW:

This course surveys investment principles and applications. Its aim is to help you make sensible investment choices and to enliven your interest in the subject. Topics to be covered include financial instruments such as stocks, bonds, and mutual funds. The effects of taxation and arbitrage will be analyzed. We will examine some aspects of commodity futures markets and option markets. The focus of this course is on the valuation of these assets and the markets in which they trade and securities regulation.

Further, we will discuss the detailed changes in the capital markets post the Sarbanes Oxley Bill, corporate governance and how it benefits investors. We will also cover basic corporate reporting as prescribed by the Securities and Exchange Commission (SEC) and how to find and read the relevant data in SEC documents. Given the recent seizure in the world - wide credit markets, we will also discuss in detail the events that led to the crash and examine the policies and procedures that may have contributed to this historical event as well as the new Frank Dodd Bill that was passed and the relevant impact to the capital markets.

An effort will also be made to have some guest speakers come in from industry to speak on a variety of topics, including issues related to a start-up company, portfolio management, running a successful non-profit, and making investment decisions in real estate development and venture capital. Multi-media may be provided on aforesaid topics as well.

COURSE GOALS AND STUDENT LEARNING OBJECTIVES:

Overall, this course should make you a better financial consumer and assist you and your family in making better investment decisions. Major topics to be covered include present-value theory, interest-rate determinants, bond markets, the efficient-market hypothesis, and theories used in determining the appropriate value of stock. Major student learning objectives include the following key areas:

- Introduction and understanding of fundamental market movements.
- Initial Public Offering, how they work and who does what.
- Corporate Governance and key roles of the following:
 - Management
 - The board of directors
 - The independent registered certified public accountants
 - The Securities and Exchange Commission (SEC)
 - The Financial Accounting Standards Board
- Basic 1933/34 SEC Act reporting including:
 - S-1
 - S-3
 - Form 10Q
 - Form 10k
 - Form 8K
 - Form 4 and Form 5 reporting
 - Proxy reporting
 - The recently signed Frank Dodd Bill
- Introduction to taxes and tax planning
- Time Value of money and how it applies to investments and life.
- 401k and employer sponsored plans.
- Asset Allocation strategies.
- Understanding the cash-flow statement, income statements and balance sheet.
- Fundamental vs Technical analysis.
- Rates of return and understanding stock market indices.
- Understanding risk, return and the capital asset pricing model.
- Various topics based on current market conditions (CDO's and the debt market, Federal Reserve Policy etc.)

REQUIRED TEXTS/READINGS

Textbook

1. Investments, Herbert Mayo, 12th edition (etextbook available now through Spartan Bookstore or via the publisher, Cengage).
2. A Random Walk Down Wall Street, Burton Malkiel

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Other Readings and Equipment:

Highly recommended: The Wall Street Journal Complete Money & Investing Guidebook by Dave Kansas and Money Magazine. You will also need to invest in a good financial calculator – the second part of this class will require a lot of math and a good financial calculator will be critical – ***Please note that you will not be allowed to use a PDA/Cell phone as a financial calculator on a midterm or final – no exceptions!*** ***Students are responsible for bringing their own Scantron 100 questions (50 on each side) -size sheets and No. 2 leaded pencils to their exams and quizzes.***

CLASSROOM PROTOCOL

Please show up to class on time and ready to learn. Please turn off all cell phones, pagers etc and be prepared to take notes. Please note that class attendance is critical if you are going to receive a satisfactory grade. I highly recommend that you complete all homework assignments and all extra credit to help your final grade. Further, if you miss a class, I strongly recommend that you get the notes from a fellow student for the lecture missed.

DROPPING AND ADDING

Students are responsible for understanding the policies and procedures about add/drops, academic renewal, etc. [Information on add/drops \(Links to an external site.\)Links to an external site.](#) are available at:

http://my.sjsu.edu/docs/sa/self_service_student/SG_SR_SS_Enroll_Add_Class_9.0.pdf (Links to an external site.)Links to an external site.

[Information about late drop \(Links to an external site.\)Links to an external site.](#) is available at:

<http://www.sjsu.edu/gape/docs/withdrawal%20form.pdf> (Links to an external site.)Links to an external site.

Students should be aware of the current deadlines and penalties for adding and dropping classes.

ASSIGNMENTS AND GRADING POLICY

Grading

Grades will be computed on the following estimated basis (subject to change):

Midterm	25%
Final exam – <i>comprehensive</i>	50%
Take-home project & homework	25%
Extra credit	TBD

Grading Percentage Breakdown

94% and above	A
93% - 90%	A-
89% - 87%	B+

86% - 84%	B
83% - 80%	B-
79% - 77%	C+
76% - 74%	C
73% - 70%	C-
69% - 67%	D+
66% - 64%	D
63% - 60%	D-
below 60%	F

Please note that late assignments will only be allowed under extreme circumstances. Please do your best to turn in your assignments on time and via the Canvas portal. **They need to be turned by the beginning of class. Extra credit assignments cannot be turned in late.**

EXAMS

All exams are multiple choice and true/false, except for make-up exams, which may be essay. There will be one midterm and one final that combined equal approximately 75 percent of your grade. The mid term will be announced at least two weeks in advance and timing will depend on how fast the class progresses. Students are responsible for bringing their own Scantron sheets and No. 2 lead pencils.

MAKE-UP POLICY

Any exam that is missed must be made up and may be in long form essay questions.

UNIVERSITY POLICIES

Per University Policy S16-9, university-wide policy information relevant to all courses, such as academic integrity, accommodations, etc. will be available on Office of Graduate and Undergraduate Programs' [Syllabus Information web page \(Links to an external site.\)Links to an external site.](http://www.sjsu.edu/gup/syllabusinfo/) at <http://www.sjsu.edu/gup/syllabusinfo/>

Academic integrity

Students should know that the [University's Academic Integrity Policy \(Links to an external site.\)Links to an external site.](http://info.sjsu.edu/static/catalog/integrity.html) is available at [http://info.sjsu.edu/static/catalog/integrity.html \(Links to an external site.\)Links to an external site.](http://info.sjsu.edu/static/catalog/integrity.html). Your own commitment to learning, as evidenced by your enrollment at San Jose State University and the University's integrity policy, require you to be honest in all your academic course work. Faculty members are required to report all infractions to the office of Student Conduct and Ethical Development. The website for [Student Conduct and Ethical Development \(Links to an external site.\)Links to an external site.](http://www.sjsu.edu/studentconduct/) is available at: [http://www.sjsu.edu/studentconduct/ \(Links to an external site.\)Links to an external site.](http://www.sjsu.edu/studentconduct/).

Instances of academic dishonesty will not be tolerated. Cheating on exams or plagiarism (presenting the work of another as your own, or the use of another person's ideas without giving proper credit) will result in a failing grade and sanctions by the University. For this class, all assignments are to be completed by the individual student unless otherwise specified. If you would like to include in your assignment any material you have submitted, or plan to submit for another class, please note that SJSU's Academic Policy F06-1 requires approval of instructors.

Campus Policy in Compliance with the American Disabilities Act

If you need course adaptations or accommodations because of a disability, or if you need to make special arrangements in case the building must be evacuated, please make an appointment with me as soon as possible, or see me during office hours. Presidential Directive 97-03 requires that students with disabilities requesting accommodations must register with the AEC (Accessible Education Center) to establish a record of their disability.

Crisis Intervention

Resources regarding crisis intervention are available through "[Counseling and Psychological Services](http://www.sjsu.edu/counseling/students/Personal_Counseling/Crisis_Intervention/index.html)" [\(Links to an external site.\)Links to an external site.](http://www.sjsu.edu/counseling/students/Personal_Counseling/Crisis_Intervention/index.html) at SJSU. For more information, please feel welcome to go to:

[http://www.sjsu.edu/counseling/students/Personal_Counseling/Crisis_Intervention/index.html \(Links to an external site.\)Links to an external site.](http://www.sjsu.edu/counseling/students/Personal_Counseling/Crisis_Intervention/index.html)

According to its website page, you can reach Counseling Services at (408) 924-5910, Monday through Friday from 8:30 am to 4:30 pm.

Should you need assistance after hours, according to Counseling Services, please call:

- 911 or San José State University Police at (408) 924-2222
- Call (408) 924-5910 and press 4 to reach the after-hours crisis services or,
- The Santa Clara County Suicide and Crisis Service at (855) 278-4204.

COURSE OUTLINE

I. Introductory concepts

- Introduction
 - Mayo, ch. 1
- Securities markets

- Mayo, ch. 2
- Investment companies
 - Mayo, ch. 6 & 7
- SEC reporting, corporate governance, and the IPO process.
 - Lecture
- Financial Planning, Taxation, and the efficiency of financial markets
 - Mayo, ch. 4
- The Time Value of Money
 - Mayo, ch. 3

II. Evaluation of common stock

- Risk and rates of return
 - Mayo
- Stocks and Fundamental analysis
 - Mayo ch. 8
- Technical analysis
 - Mayo, ch. 12
- The efficient-market hypothesis
 - Mayo
- Rates of return and stock indices
 - Mayo, ch. 10
- Dividends
 - Lecture
- The capital asset pricing model
 - Mayo

III. Bond markets

- Corporate bonds
 - Mayo, ch. 13
- Yields on bonds
 - Mayo
- Government bonds
 - Mayo, ch. 15

IV. Speculative markets

- Options
 - Mayo, ch. 17 & 18
- Futures (commodity markets)
 - Mayo, ch. 19