

FINA 463
SECURITY ANALYSIS
SPRING SEMESTER 2009
T-H 8:00-9:15 a.m. MH 206

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Office Hours: 8:00 a.m.-11:00 a.m. Mondays
8:00-12:00 p.m. Wednesdays
9:30 a.m.-12:00 p.m. Tuesdays and Thursdays
Other times may be scheduled by appointment!

Textbook and Other Required Materials:

Equity Asset Valuation, John D. Stowe, et al; published by John Wiley & Sons, Inc., Hoboken, New Jersey. ISBN: 13-978-0-470-05282-2 and 10-0-470-05282-01 is the required textbook for this course.

Each student will also be required to purchase an on-line account with *STOCK-TRAK*[®]. *STOCK-TRAK*[®] is a portfolio simulation that will be used in class to familiarize students with the process of valuing and trading stocks. Information for on-line registration will be distributed in class. The cost for *STOCK-TRAK*[®] is \$25.95.

PDF files for the CFA Institute's *Standards of Practice Handbook* will be available on the course website.

Policy notes:

1. Attendance is required and a student is allowed two unexcused absences during the semester. Ten points will be deducted for each unexcused absence from a student's point total at the end of the semester.
2. All students are expected to have access to a calculator that can make exponential calculations. Although it is not required for the course, the instructor highly recommends

the purchase of a business calculator. Students will not be allowed to share calculators during examinations!

3. The class is broken into three "sections" of material with a 100-point exam used to evaluate a student's progress with the material in each section. There are also 3 out-of-class assignments worth a total of 100 points, a *STOCK-TRAK*[®] project worth a total of 100 points, and a 100-point ethics case project each of which will be completed on an individual basis by students. Information for these projects will be linked on the course website.

Students are required to attend four Finance Club meetings during the Spring 2008 semester. Attendance sheets will be available to sign at the meetings; students who meet this requirement earn 50 points. Students who are unable to attend Finance Club meetings can complete a project that will be assigned by the instructor.

Prior to the first exam, one class period will be designated "show your textbook day." Students who bring their textbook to class that day earn 50 points.

4. Exams will consist of multiple-choice and/or true false questions and will be machine-scored. A formula page or pages will be attached to each exam. Exams (including the "final" exam) are traditional in-class exams and are not comprehensive. Students are expected to bring a No. 2 lead pencil to each exam and mark answers on both the exam and a scan sheet. It is important for students to mark the scan sheet carefully as the answers that appear on the scan sheet will determine a student's grade, regardless of what answer or work appears on the exam itself. The sole purpose of marking the exam is to facilitate reviewing the exam once it is graded; the instructor will not return the scan sheets to students.
5. The instructor will write exams based primarily on material presented in lecture. However, many of the questions on the exam will be designed to reward students who work the suggested end-of-chapter problems.
6. Grade sheets will be available and updated following each exam and will be posted on the course website. Grades will be listed according to a 4-digit identification number chosen by the student. To ensure further privacy these identification numbers will not be listed in an order

associated with the first letter of the student's last name. Students should notify the instructor if they prefer that their grades not be posted on the course website.

7. Students are "guaranteed" of a grade if they achieve the following percentages for the total points possible in the course:

A+	96.67-100%
A	93.33-96.67%
A-	90-93.33%
B+	86.67-90%
B	83.33-86.67%
B-	80-83.33%
C+	76.67-80%
C	73.33-76.67%
C-	70-73.33%
D+	66.67-70%
D	63.33-66.67%
D-	60-63.33%
F	below 60%

There is typically a scale built into the grading scheme for the course.

8. Exams may be scheduled at other times if the instructor grants approval. However any exam not taken during the assigned class period may have essay questions added to it and prorated into the student's grade. The instructor takes into account why a student missed an exam in determining the student's final grade.

OUTLINE FOR SECTION 1

1. Several research articles will be linked in Lecture 1. Students should be able to summarize the key results of these articles and are expected to be familiar with the related material presented in lecture.
2. One class period will be devoted to a Power Point presentation concerning behavioral finance. Students should be aware of the major psychological problems investors face and how these problems typically affect investor behavior and performance.
3. Reading assignment from *Equity Asset Valuation*:

Chapter 1-The Equity Valuation Process
Suggested problems: 1-9

Chapter 2-Dividend Discount Valuation
Suggested problems: 1-10, 12-17, 19-21
4. Begin *STOCK-TRAK*[®] competition (competition runs February 10 to May 1).

Evaluation Methodologies: Assignment 1-30 points
"Show Your Textbook Day"-50 points
Exam 1-100 points

OUTLINE FOR SECTION 2

1. Reading assignment from *Equity Asset Valuation*:

Chapter 3-Free Cash Flow Valuation
Suggested problems: 1-3, 5-9, 12-14, 16
2. Ethics Module: One or two class periods will be devoted to a discussion of the *CFA Institute Code of Ethics and Standards of Professional Conduct* (PDF files for the *Standards of Practice Handbook* will be available on the course website). Students will then be given a case where there are several violations of the code and standards. Each student is expected to write a report that: (1) identifies each violation; (2) recommends a correct course of action for each situation where a violation occurred; and, (3) creates a policy statement for each violation that identifies the expected conduct for investment firm employees if the situation should occur again.

Evaluation Methodologies: Assignment 2-40 points
Ethics case report-100 points
Exam 2-100 points

OUTLINE FOR SECTION 3

1. Reading assignment from *Equity Asset Valuation*:

Chapter 4-Market-Based Valuation: Price Multiples
Suggested problems: 1-7, 9-13, 15-16, 18

Chapter 5-Residual Income Valuation
Suggested problems: 1-15

2. Complete *STOCK-TRAK*[®] competition (Competition ends May 1).

Evaluation Methodologies: Assignment 3-30 points
Finance Club attendance or project-50
points
STOCK-TRAK[®] project-100 points
Exam 3-100 points (Exam is scheduled
for Friday, May 8 at 8:00 a.m.)

700 points total for the course!