

NATIONAL TAIWAN UNIVERSITY
Department of International Business

Investments

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Fall 2013
Monday 14:20-17:20
02-33664987

COURSE DESCRIPTION

An investment is the current commitment of money or other resources in exchange for future benefits, i.e., you sacrifice something of value now and expect to benefit from that sacrifice later. In theory, the rate of return and the degree of risk you bear from the investment are the two major factors to influence investment decisions. Students who take this course will learn how to estimate the rate of return and the degree of risk for financial securities or portfolios and thus make investment decisions.

More specifically, the course objectives include 1) to understand the characteristics of various **financial instruments**; 2) to know **trading mechanisms** for financial instruments in different **securities markets**; 3) to learn the **security valuation methods** (e.g., DCF, CAPM, APT, macroeconomic or financial statement analysis, Black-Scholes option pricing formula, etc.) and how to identify over- or undervalued securities; 4) to analyze the **market efficiency** and thus adopt appropriate **trading strategies** (i.e., EMH and fundamental and technical analysis); 5) to apply the principle of the **portfolio theory** to construct your risk-diversified portfolios.

Understanding the content of this course not only give you a sense to manage your wealth in the future but also build a solid foundation for more advanced courses in the finance field.

VERSUS FINANCIAL MANAGEMENT

Some content of this course is similar to that in Financial Management because both courses discuss the financial markets, financial instruments, the valuation of debt and stock, etc. However, the major difference between these two courses is the different viewpoints they stand for. In **Financial Management**, we study the decision for a **firm** (more specifically, focusing on how firms invest

projects and how they raise the money to pay for these investments), but in **Investments**, we study the decision for an **investor**. In addition, the debt policy (capital structure) and dividend policy is exclusive in Financial Management, but Investments pays more attention on the portfolio management, the security analysis, and trading strategies. After all, some basic tools, like DCF or IRR, are usually introduced in Financial Management but not in Investments, so the suggested sequence is to learn Financial Management first and then Investments.

TEXT AND LECTURE NOTES

Lecture Notes: <http://homepage.ntu.edu.tw/~jryanwang/> → Course Information →

Investments (undergraduate level)

(Note: DO NOT access CEIBA for the syllabus and lecture notes.)

Required Text: Essentials of Investments, by Bodie, Kane, and Marcus, 2010, 9th ed.

(The representative bookstore of this book in Taiwan is 華泰文化. If you decide to purchase the text book together, you can contact Mr. 劉朝棟 via (02) 2162-1217 ext. 113.)

EXAMS AND GRADINGS

Midterm Exam 50% (on Nov. 4th)

Final Exam 50% (on Jan 6th)

- * The exam dates are regulated by NTU. Please ensure that you will be available to attend these two exams before you decide to take this course.
- * The need of travel or leaving Taiwan before the final exam cannot be the excuse to miss the exams.
- * If you cannot attend the exams due to other reasons, you need to notify me in advance and show me the evidence. A late notification is not acceptable.
- * The range for each exam depends on the speed of my lecture. On average, I will teach one chapter in a three-hour lecture. The range is not accumulative for the final exam.
- * The format of both exams: 30% for term explanation and 70% for calculation problems. All calculation problems are collected from the quizzes and questions at the end of each chapter in the required text with minor modifications.
- * Students should prepare the calculators for the exams by themselves. Scientific or Financial calculators are also allowed.

- * To maintain the fairness in the class, there are no make-up exams or other alternatives for exams.
- * The rule of alternate seating is enforced. Any dishonesty in the exams will lead to a failed result.
- * I will curve your final grades such that the average of the grades in this class is comparable to other classes offered by College of Management of NTU.

RULES IN CLASS

- * You can do anything except disturbing other students from listening to my lecture.
- * If you have any questions during the lecture, just raise your hand to interrupt me.

COURSE OUTLINE

1. Elements of Investments (Chapters 1-4)
 - Introduction
 - Financial Instruments
 - Securities Markets
 - Investment Companies
2. Portfolio Theory (Chapters 5-9)
 - Asset Allocation–Efficient Frontier
 - CAPM, Multifactor Models, and APT
 - Efficient Market Hypothesis, Behavioral Finance, and Technical Analysis
3. Debt Securities (Chapters 10-11)
 - Bond Valuation
 - Managing Bond Portfolios
4. Securities Analysis (Chapters 12-14)
 - Macroeconomic Analysis
 - Equity Valuation
 - Financial Statement Analysis

OFFICE HOURS

Thursday 13:30-15:30

Room 513, Building 2, College of Management

- * It is not suggested to ask academic questions in emails. The face-to-face communication is the best way to make me understand your questions and give you the most precise instructions or accurate answers for solving your problems.
- * Try to fully utilize the office hours before making an individual appointment.

TEACHING ASSISTANT

張碧娟 d95724014@ntu.edu.tw

- * If you have difficulties to solve the quizzes or questions at the end of each chapter, please contact and ask the teaching assistant first.

SPECIAL LECTURE SCHEUDULE

October 21 (no lecture)