APPLIES TO ACADEMIC YEAR 2011/2012

FIN 3610 Financial Investment Analysis

Programme
Bachelor in Finance (3. year)

Responsible for the course
Knut Sagmo

Department
Department of Financial Economics

Term
According to study plan

ECTS Credits
7,5

Language of instruction
English

Introduction
Professional management and safekeeping of public savings represent a line of business expected to face increasingly higher demands in the years ahead. This development has become all the more clear as more and more governments around the world have delegated to individual citizens the responsibility for looking after the accumulation of capital in their retirement and pension funds. Thus, for future captains of the financial services industry, the importance of understanding firm-specific (micro), as well as economy-wide (macro) determinants of investment returns and risk cannot be overstated.

Learning outcome
Acquired knowledge
Upon completion of the course, students are required to comprehend key concepts and the analytics of financial investment analysis such as
1. expected returns and idiosyncratic as well as portfolio risks
2. how to demonstrate proactive risk-management skills by assuming well-defined positions in financial forwards and futures contracts as well as options contracts in order to hedge an underlying asset portfolio; and
3. how to immunize a portfolio of fixed-income securities (bonds) against fluctuating interest rates.

Acquired skills
Upon completion of the course, students are required to master tasks such as

- calculating estimates of expected return, risk, and skewness from a series of past returns
- calculating required rates of return and risk based on various capital asset pricing models
- calculating duration in order to estimate the interest rate sensitivity of a fixed-income security and a portfolio of securities
- calculating minimum-variance hedge-positions in stock-index futures and options contracts.

Reflection
Upon completion of the course, students are expected to demonstrate attitudes compatible with being delegated the responsibility for managing public savings. Such behaviour will eventually manifest itself as behaviour characterized by an uncompromising integrity vis-a-vis clients and supervisory authorities, strict focus on accuracy and records of transactions being executed on behalf of clients, as well as constant surveillance of the development of volatility spirals in financial markets.

Prerequisites
The following second year courses in the Bachelor of Finance program: Securities' Law, Corporate Finance and Mathematical Analysis. Or equivalent courses.

Compulsory reading
Books:
Bodie, Zvi, Alex Kane, Alan J. Marcus. 2011. Investments. 9th ed. Mc-Graw Hill Irwin. Latest edition of textbook is used.

Recommended reading
Books:

Hirschey, Mark and John Nofsinger. 2010. Investments : analysis and behavior. 2nd ed. McGraw-Hill/Irwin

Course outline

1. Overview of Financial Markets
2. Portfolio Theory
3. Capital Market Theory
4. Fixed-Income Securities
5. Futures and Options
6. Portfolio Performance Assessments

Computer-based tools

Excel spreadsheets and basic statistical software.

Learning process and workload

The course consists of 36 lecture hours and 9 hours of in-class, instructor-guided problem solving. Students are recommended to allocate hours of studying as follows:

Recommended use of hours:

Activity	Hours
Attendance during lectures	36
Participating in problem-solving activities in class	9
Independent reading/ preparation for class	120
Mandatory (four) work assignments	16
Preparation for the final exam	19
Total	**200**

Coursework requirements (Mandatory)

During the course three assignments of which one is a classroom tests of 45 minutes, and two are electronic assignments, will be set and distributed on It's Learning. The assignments given on It's Learning are to be submitted electronically. Two of these assignments must be approved in order for the student to be allowed to sit for the final examination. The examination takes place by the end of the lectures series. Administrative details will be provided in class.

Feedback on the assignment problems is provided in two ways:

1. It's learning sums up and automatically returns to students their overall score upon submission of the answers.
2. A review of the assignment problems is given during the first class meet following each assignment.

Use of hours

Total of 45 in-class hours.

Coursework requirements

In order to sit for the final exam, students must have a minimum of two of three assignments during the course approved. See Learning process and workload..

Examination

A five hour individual written exam concludes the course.

Examination code(s)

FIN 36101 Written examination counts 100% towards final grade in FIN 3610 Financial Investment Analysis (7,5 ECTS credits.

Examination support materials

No support materials are allowed except the BI-defined exam calculator TEXAS INSTRUMENTS BA Plus and interest rate tables. For more information, please visit our web-based Student Handbook at http://bi.edu/studenthandbook/examaids

Re-sit examination

A re-sit is possible in connection with the next ordinary course. Students not having obtained a passing score on the mandatory work assignments are required to submit a new series of four work assignments during the next scheduled lectures series. Students failing the examination, or wishing to improve previous grades, may retake the examination on the next scheduled exam date conditional upon approval of the work assignments.

Additional information