

**NATIONAL UNIVERSITY OF SINGAPORE**  
**NUS Business School**  
**Department of Finance**  
**Course Outline**  
**BMA 5302, INVESTMENT ANALYSIS AND MANAGEMENT**

**Term 1, 2008-2009**

**P1 Class:** Fridays 6 to 9 p.m., Conference Room C1

**Instructor:** Ravi Jain

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**Office:** BIZ 2, 03-35

**Office Hours:** Fridays 5-6 pm

Other times on walk-in basis but appointment is preferred

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**Course Description and Objectives**

This is an introductory course in investments. It provides a comprehensive coverage of basic concepts, theories, applications and decision-making rules in financial investments. In particular, the course will focus on the analysis of stocks, bonds, options and other derivative securities. Additionally, the course will examine the role and performance of portfolio managers, mutual funds and other investment companies.

On completion, students should be knowledgeable in investment management in preparation for careers in financial analysis, financial planning, investment banking, portfolio management, and corporate finance. The topics covered in this course will overlap with some of the topics for the Chartered Financial Analysts (CFA) Level I examinations, such as quantitative analysis, equity securities analysis and portfolio management. More generally, this course should prove useful for the management of your personal investments.

**Pre-requisites**

The students enrolled in this module are assumed to have successfully completed the Financial Management (BMA 5008) module.

**Textbook and Other Resources**

Required textbook: **Zvi Bodie, Alex Kane and Alan J. Marcus, *Investments*, 8<sup>th</sup> edition, McGraw-Hill, International Edition.** The textbook also has an Online Student Resource Center; see [http://highered.mcgraw-hill.com/sites/007338237x/information\\_center\\_view0/](http://highered.mcgraw-hill.com/sites/007338237x/information_center_view0/).

The readings from the text will be supplemented by other materials such as case studies, relevant news articles, and academic journal articles. To get the most out of the course, students should make an effort to be well-informed about current developments in the financial markets by reading publications such as *The Wall Street Journal* or the business section of *The Straits Times*.

**Course Format**

The lectures will focus on the major points introduced in the textbook. The lectures will provide general background information on the topics covered and may not necessarily be specific to the homework problems, projects, and cases assigned.

Students are expected to access the course page on IVLE (ivle.nus.edu.sg) for course related information including announcements and PowerPoint slides of the lectures. Students are also encouraged to actively participate in the forum on IVLE to discuss course related and general investments related issues.

Prior to class you should read the relevant material in the textbook, the PowerPoint slides, and any additional assigned readings. You are encouraged to ask questions and to be an active participant in class. You are expected to attend class regularly and to come to class on time.

### **Assessment/Grading**

Your grade will be based on your performance in homework assignments (10%), two case assignments (10%), a valuation project (20%), a mid-term examination (20%), and a final examination (40%). The home work assignments, case assignments, and valuation project are to be done by groups of four to five students.

### Homework Assignments

You will be asked to do a few homework assignments. At the end of the term I will grade only two randomly selected assignments. Failure to turn in an assignment (even one which is not eventually graded) by the deadline will result in a penalty.

### Case Memoranda

You are expected to submit a case memorandum for two cases that we will discuss in class. Each case memorandum should be a maximum of two pages (typed and double-spaced) for the write-up and a maximum of three pages for any supporting tables/graphs/exhibits. The memorandum should also include a separate cover page listing the names of the group members, the name and number of the course, and the name of the case. Write it as a memo to the CEO or key decision-maker unless otherwise specified. The case memoranda must have a professional appearance and should not contain any blatant grammatical/spelling errors.

For each case, you will be provided with a list of study questions. These questions are not to be answered literally, but are provided to provoke thought on the key issues addressed by the case. You should keep in mind that, as in any business situation, not all the information included in a case may be relevant. Part of the art of good case analysis is to focus on the critical facts and not be distracted by detail. You may have to make some reasonable assumptions. State clearly what your assumptions are and support the assumptions you make. Effective teamwork should both lighten the workload and improve the quality of learning for all students.

You should not look for a “solution” to any case. You should present a balanced analysis of the case and discuss the pros and cons of all the options, and then convince the reader that your chosen option is superior to the others. Although I will present my ideas about how the case should be approached, it should not be considered as the only way to analyze the case. Alternative approaches, based on somewhat different but reasonable assumptions, may be equally valid, and I encourage such analyses. For this reason, and to ensure the usability of a case in future semesters, I will not distribute copies of my “solution” to a case.

### Valuation Project

The valuation project involves a complete financial analysis of a real-life company as of the end of its most recent quarter/year. The focus of the analysis is to evaluate past performance;

compare the performance to a set of peers; and to estimate the value of the firm's stock by using the (discounted) free cash flow method and by relative valuation.

General guidelines on the contents will be provided but you have some flexibility on how to present the material. Once your company selection is approved, you are responsible for obtaining all the necessary information, and for developing your own analysis and valuation templates based on models we develop in class. More details on the project will be provided in a separate document.

### Mid-term and Final Examination

The examination format will likely be a combination of multiple-choice questions, fill-in-the-blanks, long problems, and essay-type questions. These questions will be designed to test your analytical and problem solving skills, and your knowledge of conceptual and qualitative material. The final examination will be cumulative but will emphasize topics covered after the mid-term exam.

If you are not satisfied with your grade on an exam or an assignment, you may ask for your analysis to be re-graded, giving detailed and substantial justifications for your request. You should bear in mind that if I accept your request and re-grade your exam or assignment, you can be given the same grade, a higher grade or a lower grade than originally assigned.

### **Contact Information**

In general, you may meet me at any time I am in my office. However, to ensure that I am available to talk to you during non-office hour times, I recommend that you make an appointment. No appointment is necessary if you plan to see me during the scheduled office hours.

I encourage students to contact me through email. I usually check my email several times a day during weekdays; slightly less frequently on weekends.

### **Detailed List of Topics**

The following is a detailed list of some of the major topics that are proposed to be covered in this course. Based on the progress of the class, minor changes (additions or deletions) may be made to this list.

- Basics of financial investments
  - ◆ The investment environment
  - ◆ Financial instruments
  - ◆ How securities are traded
  - ◆ Mutual funds, hedge funds, and other investment companies
  
- Market efficiency
  - ◆ Forms of market efficiency
  - ◆ Tests of market efficiency
  - ◆ Implications of efficient capital markets
  
- Portfolio theory
  - ◆ History of interest rates and risk premiums
  - ◆ Diversification and asset allocation

- ◆ The Markowitz portfolio selection model
  
- Analysis of equity
  - ◆ Valuation of equity
  - ◆ Financial statement analysis
  
- Analysis of fixed income securities
  - ◆ Bond prices and yields
  - ◆ Term structure of interest rates
  - ◆ Managing bond portfolios
  - ◆ Bond duration and convexity
  
- Analysis of derivative securities
  - ◆ Option strategies
  - ◆ Option valuation using binomial option pricing and Black-Scholes
  - ◆ Forwards, Futures, and Swaps
  - ◆ Hedging using derivatives
  
- Active Portfolio Management
  - ◆ The process of portfolio management
  - ◆ Asset allocation
  - ◆ Portfolio performance evaluation