FNAN 311- 001
Principles of Investment
Spring 2017

SPECIFIC COURSE INFORMATION
Principles of Investment
Class Location: Enterprise Hall, Room 277
Class Meeting Days and Time: Mondays and Wednesdays; noon to 1:15 p.m.

PROFESSOR’S CONTACT INFORMATION
David R. Gallay, D.Sc.
Enterprise Hall, Room 233
Telephone numbers: (703) 993-1869
E-mail address: dgallay@gmu.edu
Office hours: by appointment

COURSE INFORMATION
Course Blackboard Web Site: http://mymasonportal.gmu.edu. At this site, you can access course materials (e.g., lecture slides) and course assignments.

COURSE PREREQUISITES:
Students are expected to be familiar with basic economics and statistics. Thus, you are required to have successfully completed FNAN 301/303, ECON 103, ACCT 201, and OM 210. Taking any of the aforementioned classes concurrently with this course is not possible. If you do not know whether you meet the requirement, you should notify the instructor and also consult Student Services.

COURSE MATERIALS
Required:

Optional:
- A subscription to the Wall Street Journal is also encouraged (or another finance oriented publication like Business Week or the Financial Times).
**PROGRAM LEARNING GOALS**
Upon successful completion of this course students will be able to (1) evaluate and explain the risk and return trade-offs in finance, (2) understand how to address behavioral and ethical issues in finance, and (3) conduct research necessary to construct and manage equity/fixed income portfolios and present the accompanying analysis.

**COURSE OBJECTIVES**
This course is an introduction to portfolio management and asset valuation. The material focuses on institutional investing, although the course is also relevant for individuals. The class will help you understand strategies and risk management tools necessary for the management of fixed income and equity portfolios. In particular, you will learn the concepts of asset allocation, risk and return trade-off, diversification, option pricing, portfolio performance evaluation, and the theory of market efficiency.

**COURSE SCHEDULE**

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Lecture Topic</th>
<th>Required Readings</th>
<th>Group Project</th>
<th>Homework Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Jan. 23 and 25, 2017</td>
<td>Introduction: Background and Issues</td>
<td>Bodie, Kane, and Marcus (henceforth: BKM), Chap. 1</td>
<td></td>
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</tr>
<tr>
<td>2</td>
<td>Jan. 30 and Feb 1, 2017</td>
<td>Asset Classes and Financial Instruments</td>
<td>BKM, Chap. 2</td>
<td>Instructions and beginning of practice trading</td>
<td>Connect problems for Chapter 1</td>
</tr>
<tr>
<td>3</td>
<td>Feb. 6 and 8, 2017</td>
<td>Security Markets</td>
<td>BKM, Chap. 3</td>
<td></td>
<td>Connect problems for Chapter 2</td>
</tr>
<tr>
<td>4</td>
<td>Feb. 13 and 15, 2017</td>
<td>Mutual Funds and Other Investment Companies</td>
<td>BKM Chap. 4</td>
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<td>Connect problems for Chapter 3</td>
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<td></td>
<td>Prospectus due Feb. 13</td>
</tr>
</tbody>
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**Week 5**
Date: Feb. 20 and 22, 2017
Topics: Risk and Return: Past and Prologue
Readings: BKM, Chap. 5
Homework Due: Connect problems for Chapter 4

**Week 6**
Date: Feb. 27 and Mar. 1, 2017
Topics: Efficient Diversification
Readings: BKM, Chap. 6
Homework Due: Connect problems for Chapter 5

**Week 7**
Date: Mar. 6 and 8, 2017
Topics: Mid-course review (Mar. 6) and midterm exam (Mar. 8)
Exam: Chapters 1 through 6
Homework Due: Connect problems for Chapter 6

----Spring Break----

**Week 8**
Date: Mar. 20 and 22, 2017
Topics: Capital Asset Pricing Model and Arbitrage Pricing Theory
Readings: BKM, Chap. 7
Homework Due: None

**Week 9**
Date: Mar. 27 and 29, 2017
Topics: Portfolio Performance Evaluation
Readings: BKM, Chap. 18
Homework Due: Connect problems for Chapter 7

**Week 10**
Date: Apr. 3 and 5, 2017
Topics: Efficient Market Hypothesis
Readings: BKM, Chap. 8
Homework Due: Connect problems for Chapter 18

**Week 11**
Date: Apr. 10 and 12, 2017
Topics: Taxes, Inflation, and Investment Decisions
Readings: BKM, Chap. 21
Homework Due: Connect problems for Chapter 8
Group Project: Trading ends – Apr. 12
**Week 12**
Date: Apr. 17 and 19, 2017
Topics: Options Markets and Options Valuation
Readings: BKM, Chap. 15 and Chap. 16
Homework Due: Connect problems for Chap. 21

**Week 13**
Date: Apr. 24 and 26, 2017
Topics: Options Valuation (continued) and Behavioral Finance
Readings: BKM, Chap. 16 and Chap. 9
Homework Due: Connect problems for Chap. 15

**Week 14**
Date: May 1, and 3, 2017
Topics: Group Presentations
Homework Due: Connect problems for Chap. 16

**Week 15**
Date and time: May 15, 2017 from 10:30 a.m. till 1:15 p.m.
Topics: Final Exam
Scope: Material in all previous sessions, with emphasis on material presented in the second-half of the term.

**Group Project**
See the detail about the group project on Blackboard (in the Group Project content area).

**STUDENT RESPONSIBILITIES**
Students are expected to be prepared for class, do their homework, and participate in class discussions.

**CLASS POLICY**
Weekly homework assignments are due at the beginning of class on the following Monday. (For example, Week 1’s homework assignment is due by noon on Jan. 30.) Submit all homework via Connect; submit case analyses via Blackboard. Submitted homework may be revised and resubmitted. However, each resubmission will be penalized 10%, compounded by submission. Late submissions will not be accepted unless the student has obtained permission from the professor prior to the submission date.

The group’s prospectus and project reports are due by noon on Feb. 20. The group project reports are due by noon on May 1. The prospectus and group report will be submitted in hard copy. Presentation slides will be submitted in electronic format via the Presentation Dropbox on Blackboard no later than noon on May 3. Late submissions will not be accepted unless the student has obtained permission from the professor prior to the submission date.
GRADING STANDARDS

Grades will be awarded on the basis of your class projects, homework, and your contribution in class.

<table>
<thead>
<tr>
<th>Graded Material or Activity</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student participation</td>
<td>5%</td>
</tr>
<tr>
<td>Homework Problem Assignments</td>
<td>20%</td>
</tr>
<tr>
<td>Prospectus</td>
<td>10%</td>
</tr>
<tr>
<td>Project Presentation</td>
<td>10%</td>
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<tr>
<td>Project Report</td>
<td>10%</td>
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<tr>
<td>Mid-term Examination</td>
<td>20%</td>
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<tr>
<td>Final Examination</td>
<td>25%</td>
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</table>

Homework Grading Criteria

Letter grades are: A, A-, B+, B, B-, C, or F. These letter grades correspond to the following numerical scores:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>A+</td>
<td>101 – 105%</td>
</tr>
<tr>
<td>A</td>
<td>93% - 100%</td>
</tr>
<tr>
<td>A-</td>
<td>90% - 93%</td>
</tr>
<tr>
<td>B+</td>
<td>87% - 89.99%</td>
</tr>
<tr>
<td>B</td>
<td>83% - 87.99%</td>
</tr>
<tr>
<td>B-</td>
<td>80% - 82.99%</td>
</tr>
<tr>
<td>C</td>
<td>79% - 70%</td>
</tr>
<tr>
<td>D</td>
<td>64% - 69.99%</td>
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<tr>
<td>F</td>
<td>below 64%</td>
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The professor reserves the right to change the grading policy for the course.

SCHOOL OF BUSINESS STANDARDS OF BEHAVIOR

The mission of the School of Business at George Mason University is to create and deliver high-quality educational programs and research. Students, faculty, staff, and alumni who participate in these educational programs contribute to the well-being of society. High-quality educational programs require an environment of trust and mutual respect, free expression and inquiry, and a commitment to truth, excellence, and lifelong learning. Students, program participants, faculty, staff, and alumni accept these principles when they join the School of Business community. In doing so, they agree to abide by the following standards of behavior:

- Respect for the rights, differences, and dignity of others
- Honesty and integrity in dealing with all members of the community
- Accountability for personal behavior

Integrity is an essential ingredient of a successful learning community. Ethical standards of behavior help promote a safe and productive community environment, and ensure every member the opportunity to pursue excellence. School of Business can and should be a living model of these behavioral standards. To this end, community members have a personal responsibility to integrate these standards into every aspect of their experience at the School of Business. Through our personal commitment to these Community Standards of Behavior, we can create an environment in which all can achieve their full potential.
HONOR CODE STATEMENT

Honor System and Code: The Honor System and Code adopted by George Mason University will be enforced for this class: http://oai.gmu.edu/the-mason-honor-code/

In your work on all written assignments, keep in mind that you may not present as your own the words, the work, or the opinions of someone else without proper acknowledgement. You also may not borrow the sequence of ideas, the arrangement of material, or the pattern of thought of someone else without proper acknowledgement. Please note: Faculty are obligated to submit any Honor Code violations or suspected violations to the Honor Committee without exception.

<table>
<thead>
<tr>
<th>School of Business Recommendations for Honor Code Violations</th>
<th>Approved May 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UG-Non-Freshman Students (including transfer students)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Type of Violation</strong></td>
<td><strong>First Offense</strong></td>
</tr>
<tr>
<td>Plagiarism</td>
<td></td>
</tr>
<tr>
<td>1. Failure to cite/attribute sources</td>
<td>An F in the class; referral to Writing Center; and Academic Integrity Seminar completion</td>
</tr>
<tr>
<td>2. Representing someone else’s work as the student’s own (e.g., copying and pasting)</td>
<td>An F in the class; Academic Integrity Seminar completion</td>
</tr>
<tr>
<td>Cheating</td>
<td></td>
</tr>
<tr>
<td>1. On a minor assignment (e.g., homework, quizzes)</td>
<td>An F in the class; and Academic Integrity Seminar completion</td>
</tr>
<tr>
<td>2. Cheating on a major assignment or exam, submitting course work from another course as original work</td>
<td>An F in the class; and Academic Integrity Seminar completion, and at least one semester suspension</td>
</tr>
<tr>
<td>Lying (e.g., providing fraudulent excuse documents, falsifying data)</td>
<td>An F in the class; and Academic Integrity Seminar completion, and at least one semester suspension</td>
</tr>
<tr>
<td>Egregious Violation (e.g., stealing an exam; submitting coursework from another class as original work across multiple courses; lying to an employer about academic performance, false identification or posing as another, in person or online)</td>
<td>An F in the class, Academic Integrity Seminar completion; termination from the School of Business; and at least one-year suspension</td>
</tr>
</tbody>
</table>

**BUSINESS LIBRARY LIAISON INFORMATION**

Jo Ann J. Henson, MLIS Business and Economics Liaison Librarian
Fenwick Library Fairfax Campus: http://infoguides.gmu.edu/business

**DISABILITY**

If you have a disability and you need academic accommodations, please see me and contact the Office of Disability Services (ODS) at 703-993-2474. All academic accommodations must be
arranged through the ODS. Please take care of this during the first two weeks of the semester. More information about ODS is available at http://www.gmu.edu/student/drc

RELIGION
Students who will miss class for religious reasons should inform me of their anticipated absences as soon as possible.

COUNSELING CENTER
George Mason University has a counseling center that can provide assistance if you find yourself overwhelmed by life, want training in academic or life skills, or the like. More information is available at http://www.gmu.edu/departments/csdcc/

WRITING ASSIGNMENT STANDARDS
All writing assignments should be formatted as follows: double-spaced, Times New Roman, 12-point font, and 1-inch margins. To cite and reference professional or academic sources, please use Chicago style. Specific instructions for in-text citations and referencing are found at https://owl.english.purdue.edu/owl/resource/717/01/

To help manage the citations and seamlessly create reference lists, Mason supports a free software called Zotero. Please go to https://www.zotero.org/. This program offers:
- Centralized bibliography management
- Ability to sync across computers
- Ability for teams to combine contributions to the references
- Word plug-in that allows citation management within MS word

George Mason University has a writing center that can help you improve your English writing skills. More information is available at http://writingcenter.gmu.edu/

INCLEMENT WEATHER AND CAMPUS EMERGENCIES
Information regarding weather related changes in the University’s schedule (e.g., closing or late opening) will be provided on the GMU website and via MasonAlert. Students sign up for the Mason Alert system to provide emergency information of various sorts at https://alert.gmu.edu.

If the Fairfax campus closes, the professor will post on Blackboard a video version of the regularly scheduled class lecture later in the day. Students will be alerted by e-mail once the video is available for viewing. (This approach will eliminate the need for a make-up class session later in the semester.)

An emergency poster exists in each classroom explaining what to do in the event of crises and that further information about emergency procedures exists on http://www.gmu.edu/service/cert