

**INVESTMENT THEORY
FINANCE 320
SPRING SEMESTER 2007**

INSTRUCTOR

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OFFICE HOURS

By appointment

TEXT

Investments, Bodie, Z., A. Kane, and A. Marcus, McGraw-Hill / Irwin, Sixth/Seventh Edition.

COURSE OVERVIEW AND OPERATING PROCEDURES

This course is intended to acquaint students with financial concepts and principles that are used in managing returns and risks of investments.

Throughout this course students will be expected to complete problem sets and other assignments designed to let them learn how to apply financial concepts to various capital management problems. These problem sets are not “make work” exercises. Rather, they are intended to let students gain experience in using key concepts covered in the course. This work will not be graded; so there is no penalty for not doing the work. But failing to do the work puts persons at risk when it comes to examinations.

It is understood that students may sometimes be unable to attend class due to other commitments or personal emergencies. Students who miss class will not be penalized in any way but they will be expected to accept the consequences of missing class. **In the case of examinations, students are expected to take exams early when they know before hand that they will be unable to sit for the test at the time specified on the class outline.**

GRADING

Exam #1 – February 21, 2007	30 %
Exam #2 – March 28, 2007	30 %
Final Exam (Comprehensive)	40 %

Procedure: Base is the mean score of the top 5% of all grades in class

G \geq 90% Base A
G \geq 80% Base B
G \geq 70% Base C
G \geq 50% Base D
G < 50% Base F

Course Outline/Schedule

<u>Date</u>	<u>Topic/Activity</u>
<u>January</u>	
22	Introductions, etc.
24	Chapter 1&2 – Investment Environment
29	Chapter 3 – Security Trading
31	Chapter 4 – Mutual Funds
<u>February</u>	
5	Chapter 5 – Return/Risk From The Historical Record
7	Chapter 5 – Return/Risk From The Historical Record
12	Chapter 5 – Return/Risk From The Historical Record
14	Chapter 6 – Risk Aversion and Capital Allocation
19	Chapter 6 – Risk Aversion and Capital Allocation
21	Hourly Exam
26	Chapter 7 – Optimal Risk Portfolio
28	Chapter 7 – Optimal Risk Portfolio
<u>March</u>	
5	Chapter 8 – Index Models
7	Chapter 8 – Index Models
12	Chapter 9 – Capital Asset Pricing Model
14	Chapter 9 – Capital Asset Pricing Model
19	Chapter 9 – Capital Asset Pricing Model
24	Chapter 10 – Arbitrage Pricing
26	Chapter 10 – Arbitrage Pricing
28	Hourly Exam
<u>April</u>	
9	Chapter 14 – Bond Prices
11	Chapter 14 – Bond Prices
16	Chapter 15 – Term Structure of Interest Rates
18	Chapter 15 – Term Structure of Interest Rates
23	Chapter 18 – Equity Valuation Models
25	Chapter 18 – Equity Valuation Models
30	Chapter 18 – Equity Valuation Models
<u>May</u>	
2	Chapter 12 – Behavior Finance
7	Chapter 13 – Empirical Evidence on Security Returns
18	Final Exam – 12:25 PM

