

**COURSE SPECIFICATION DOCUMENT**

**NOTE:** ANY CHANGES TO A CSD MUST GO THROUGH ALL OF THE RELEVANT APPROVAL PROCESSES, INCLUDING LTFC.

<b>Academic School/Department:</b>	Business and Economics
<b>Programme:</b>	BA (Hons) Business Administration BSc (Hons) Accounting and Finance
<b>FHEQ Level:</b>	5
<b>Course Title:</b>	Principles of Investment
<b>Course Code:</b>	FNN 5205
<b>Course Leader:</b>	Ivan Cohen
<b>Student Engagement Hours:</b>	120
Lectures:	45
Seminar / Tutorials:	
Independent / Guided Learning:	75
<b>Semester:</b>	Fall/Spring
<b>Credits:</b>	12 UK CATS credits 6 ECTS credits 3 US credits

**Course Description:**

Focusing on financial investment, the course familiarizes the student with a range of financial instruments and capital market operations, including new issues, trading, and the role of financial intermediaries in the investment market. Investment companies are investigated. Fundamentals of portfolio theory—both Markowitz and CAPM—are examined and applied to investment appraisal and management. Valuation of a range of securities—including fixed-income and equity—is discussed on the basis of capital market theory. The course introduces financial derivatives, including options, futures, forward rate agreements, and interest rate swaps, relating their use to fixed-income investment, portfolio analysis, and interest rate risk management.

**Prerequisites: FNN 5200**

**Aims and Objectives:**

The course aims to provide students with the ability

1. to understand financial instruments and financial markets and be familiar with the basics of finance theory
2. to assess the various theoretical models presented in class with regards to their validity
3. to assess different investment alternatives, and
4. to explain the how pricing is determined and any consequent decisions.

**Programme Outcomes:**

Business Administration:

A1-A7

B1-B5

C1

D1-D5

Accounting and Finance:

A1, A2, A4

B1, B2

C1

D1, D3

A detailed list of the programme outcomes are found in the Programme Specification.

This is located at the archive maintained by the Academic Registry and found at:

<http://www.richmond.ac.uk/admitted-students/programme-and-course-specifications/>

**Learning Outcomes:**

By the end of this course, successful students should be able to:

**Knowledge and Understanding:**

1. Demonstrate understanding of financial instruments, including analysis of investment instruments according to their respective degrees of risk, including maturity.
2. Show an in-depth understanding of the theoretical concepts in financial economics and evaluate asset pricing models.
3. Critically appraise ideas such as the Efficient Market Hypothesis and Behavioural Finance.
4. Apply portfolio analysis to a range of investment scenarios and

demonstrate a critical understanding of derivatives.

**Cognitive Skills:**

1. Solve problems and identify the efficient portfolio in a theoretical and applied context.
2. Critically appraise the relevance and appropriateness of models of financial markets and investors' and analysts' behaviour.
3. Assess the conceptual relevance of efficient financial markets and their imperative with regards to the efficient allocation of resources within the economy.

**Professional and Practical Skills:**

1. Use verbal, mathematical and graphical forms of analysis in various contexts such as the inverse relationship of risk and return.

**Key Skills:**

1. Conduct independent research and learn reflective thinking.
2. Manage their time efficiently in particular in relation the writing of an independent term paper.
3. Articulate their thoughts verbally and use audio-visual equipment to translate their ideas to an audience.

**Indicative Content:**

1. Types of Securities
2. Securities: Issue, Trade and Markets
3. Investment companies and mutual funds
4. Efficient markets and Behavioural Finance
5. Risk versus return
6. Portfolio risk and asset allocation: the Markowitz approach
7. Modern Portfolio Theory (MPT)
8. Debt Securities: Bonds and bond portfolios
9. Introduction to derivatives: hedging with forwards, futures, options and swaps
10. Active versus passive portfolio management

**Assessment:**

This course conforms to the Richmond University Assessment Norms approved at Learning and Teaching Policy Committee found at: <http://www.richmond.ac.uk/wp-content/uploads/2014/10/ALL-ASSESSMENT-NORMS-CATEGORIES-with-descriptions-Jan-2014.pdf> .

**Teaching Methodology:**

The course is lectured either twice weekly or in a block sessions. Student participation is essential and group discussions are a vital part of learning. Students are expected to undertake independent study and research to compose a written assignment the findings of which have to be presented in class.

**Bibliography:**

Core Text:

Bodie Z., Kane A., Marcus A.J. (2009) *Essentials of Investments* (8th edition), Boston: McGraw-Hill.

Additional Literature:

Clark, E. (1997) Valuing Political Risk. *Journal of International Money and Finance*, 16: 477-490.

Coccia, M. (2007) A New Taxonomy of Country Performance and Risk Based on Economic and Technological Indicators. *Journal of Applied Economics*, 10 (1):29-42.

Fama, E. F. (1971) Risk, Return and Equilibrium. *Journal of Political Economy*, 79(1): 30-55. Fama, E. F., French, K. R. (2004) The Capital Asset Pricing Model: Theory and Evidence. *Journal of Economic Perspectives*, 18(3):25-46.

Hirt G., Block S.B. (2004) *Foundations of Investment Management* (11th edition), Boston: McGraw-Hill.

Jegadeesch N., Titman, S. (1993) Returns to buying Winners and Selling Losers: Implications for Stock Market Efficiency. *Journal of Finance*, 48: 65-91.

Kim, H.L. (2006) Dynamic Relationship between Stock and Property Markets. *Applied Financial Economics*, 16(5): 371-376.

Lintner, J. (1965) The Valuation of Risk Assets and the Selection of Risky Investments in Stock Portfolios and Capital Budgets. *Review of Economics and Statistics*, 47(Feb):13-37.

Mandelbrot, B. (1963) The Variation of Certain Speculative Prices. *Journal of Business*, 36(Oct.):394-419.

Markowitz, H. (1959) *Portfolio Selection: Efficient Diversification of Investments*. New York: Wiley.

Miao, J. (2005) Optimal Capital Structure and Industry Dynamics. *Journal of Finance*, 60 (6):2621-2659.

Von Neumann, J, Morgenstern, O. (1953) *Theory of Games and Economic Behaviour* (3rd edition)., New York: Princeton University Press.

Reilly F.K., Brown K.C. (2006) *Investment Analysis and Portfolio Management* (8th edition), Belmont: South-Western College Publishing.

Sharpe, W. F . (1964) Capital Asset Prices: A Theory of Market Equilibrium under Conditions of Risk. *Journal of Finance*, 19(Sept.):425-42.

