

BUS A210: SECURITIES INVESTMENT

Item	Value
Curriculum Committee Approval Date	11/04/2020
Top Code	050100 - Business and Commerce, General
Units	3 Total Units
Hours	54 Total Hours (Lecture Hours 54)
Total Outside of Class Hours	0
Course Credit Status	Credit: Degree Applicable (D)
Material Fee	No
Basic Skills	Not Basic Skills (N)
Repeatable	No
Open Entry/Open Exit	No
Grading Policy	Standard Letter (S), • Pass/No Pass (B)

Course Description

Basic concepts of investing in stocks and bonds with emphasis on market mechanics, types of orders, role of market professionals, margin accounts, selling short, commissions, and choosing a broker. Comprehensive study of approaches to price patterns, value investing, and the development of a rational investment philosophy. Transfer Credit: CSU.

Course Level Student Learning Outcome(s)

1. Discuss the purposes, principles, and practical applications of investments in stocks and bonds as they relate to various investment philosophies based upon specific investment objectives.
2. Distinguish among securities markets, types of brokerage firms, and risk/reward tradeoffs in various investments.
3. Collect, compile and interpret investment research and information on stock and bond investments from various sources.

Course Objectives

- 1. Justify an investment philosophy based upon stated investment objectives.
- 2. Identify the risks associated with investing in various types of individual stocks and bonds.
- 3. Calculate the expected yields from individual fixed income and equity investments.
- 4. Choose stocks and bonds from various categories to meet individual investment objectives.
- 5. Distinguish between the Primary and Secondary Securities Markets, including the Third and Fourth Market.
- 6. Recognize the conflicts of interest inherent between the investing public and the securities industry.
- 7. Identify support and resistance levels using technical analysis.
- 8. Interpret contemporary charting methods using technical analysis.
- 9. Compare and contrast opening accounts with, and executing trades through different types of brokerage firms.

- 10. Gather investment research and information on stock and bond investments from financial newspapers, libraries, and the Internet.

Lecture Content

A. Investment Philosophy 1. Investing for income 2. Investing for appreciation 3. Investing as a profession 4. Theoretical research based on arbitrage relationships 5. Empirical research based on actual market data B. The Risk of Investing 1. Systematic Risk B undiversifiable risk or market risk 2. Unsystematic Risk B diversifiable risk 3. Risk and Time 4. Risk aversion and rational investors 5. Business risk 6. Financial risk 7. Purchasing power risk 8. Interest rate risk 9. Foreign exchange risk C. Return on Investment 1. Holding Period return 2. Dividend Yield 3. Current Yield 4. Yield and Appreciation 5. Compound Annual return 6. Expected Return 7. Riskfree Rate 8. Concept of Dominance D. Capital Markets 1. Economic Function 2. Primary Markets 3. Secondary Markets 4. Continuous Pricing Function 5. Fair Pricing Function 6. National Exchanges 7. Regional Exchanges 8. The Specialist System 9. Market Makers 10. SuperDot Electronic System 11. Circuit Breakers and Trading Curbs 12. NASDAQ Stock Market 13. Small Order Execution System (SOES) 14. Over-The-Counter Bulletin Board (OTCBB) 15. Pink Sheet Stocks 16. Third and Fourth Markets E. Regulation 1. Securities and Exchange Commission 2. National Association of Securities Dealers (NASD) 3. Security Investor Protection Corporation (SIPC) 4. Securities Act of 1933 5. Securities Act of 1934 6. Federal Reserve Regulation T 7. Illegal vs. Unethical F. Bond Fundamentals 1. Conventions used to identify bonds 2. Issuer, Coupon, and Maturity 3. Unsecured Debt 4. Term Bonds 5. Serial Bonds 6. Interest Only Bonds 7. Sinking Fund 8. Balloon Loan 9. Income Bond G. Bond Pricing and Returns 1. Treasury Bills, Notes, and Bonds 2. Valuation Equations 3. Zero Coupon Bonds 4. Variable Rate Bonds 5. Consols 6. Yield to Maturity 7. Current Yield 8. Effective Yield 9. Yield Curve 10. Accrued Interest 11. Realized Compound Yield 12. Spot Rates H. Bond Risk 1. Default Risk 2. Interest Rate Risk 3. Call Risk 4. Reinvestment rate Risk 5. Marketability Risk B Liquidity Risk 6. Rating Agencies B Moodys, Standard Poors 7. Ratings B AAA to D 8. Investment Grade vs. Junk Bonds 9. Puttable Bonds I. Municipal Bonds 1. Tax Exempt 2. General Obligation (G.O.) 3. Revenue Bonds 4. Bearer Bonds 5. nb sp; Registered Bonds 6. Special Purpose Bonds J. Corporate Bonds 1. Commercial Paper 2. Medium term Notes (MTN) 3. Century Bonds 4. Yankees 5. Agency bonds K. Common Stock 1. Corporate Organization 2. Voting rights 3. Types of Dividends 4. Stock rights 5. Warrants 6. Stock Splits L. Financial Page Listings of Stocks and Bonds 1. Ticker Symbol 2. Price Earnings Ratio 3. Daily High, Low, Close, and Volume 4. Reading the Wall St. Journal M. Categories of Stocks 1. Blue Chips 2. Income Stocks 3. Cyclical Stocks 4. Defensive Stocks 5. Growth Stocks 6. Speculative Stocks 7. Penny Stocks N. Market Mechanics 1. Broker/Dealer Firms 2. Commission Structure and Trading fees 3. Full Service Brokers 4. Discount Brokers 5. Deep Discount Brokers and Electronic Brokers 6. Internet Trading 7. Cash and Margin Accounts 8. Short Selling Accounts 9. Short Interest 10. Initial Margin 11. Maintenance Margin 12. Margin Calls 13. Quotations; Bid B Ask, Spread, Size O. Market Mechanics (cont.) 14. Placing Orders by Phone, Internet, or Fax 15. Types of Orders; Day, Limit, GTC, All or None, and Market 16. Stop-Loss Orders 17. Market on Close Orders 18. Ticker Tape Information 19. Stock Settlement Procedures 20. Bond Settlement Practices 21. Depository Trust Company (DTC) 22. Safekeeping in Street Name and Fees 23. Brokerage Account Statements P. Fundamental Stock Analysis 1. Present Value of Future Cash Flows 2. Tax Factor 3. Book Value 4. Economy, Industry, and Company (EIC) Analysis 5. Value Investing 6. Growth Investing 7. Information Trader 8. nb sp; How Price Relates to Value 9. Price to Book Ratio 10. Price Earnings Ratio (P/

E) 11. Balance Sheets and Income Statements 12. Dividend Discount Model 13. Solvency Ratios 14. Efficiency Ratios 15. Profitability Ratios
Q. Technical Analysis 1. Charting to Predict Supply and Demand 2. Line Charts 3. Bar Charts 4. Point and Figure Charts 5. Candlestick Charts 6. Support and Resistance Levels 7. Technical Indicators 8. Advance Decline Line 9. Relative Strength Ratio 10. Moving Averages 11. Dow Theory 12. Academic Evaluation of Technical Analysis R. Efficient Market Hypothesis (EMH) 1. Operational Efficiency 2. Informational Efficiency 3. Weak Form efficiency 4. Semi-Strong Form Efficiency 5. Strong Form Efficiency 6. Random Walk Theory 7. Low P/E Effect 8. Small Firm Effect 9. Market Overreaction to Extreme News S. Gathering Investment Information 1. SEC Filings of Forms 10Q and 10K by Public Corporations 2. Standard and Poors Publications 3. Moody's handbook of Common Stock 4. Annual Reports Issued by Public Companies 5. The Prospectus 6. Investment and Advisory Letters 7. The Wall Street Journal 8. Barron's 9. Forbes 10. Investor's daily 11. Securities Exchanges Marketing Departments 12. Internet

Method(s) of Instruction

- Lecture (02)
- DE Live Online Lecture (02S)
- DE Online Lecture (02X)

Instructional Techniques

1. Lecture 2. Internet is used to access Financial reporting by Public companies to read and interpret financial statements, to understand how to retrieve valuable information from internet sources, and to read and understand current news and trends in the security market 3. One issue of the Wall Street Journal or one issue of Investor's Daily is used to read and interpret the extensive financial reporting available by understanding how to retrieve valuable information from these sources.

Reading Assignments

6 hours/week.

Writing Assignments

Research investment topic for term paper. 1 hour/week

Out-of-class Assignments

1 hour/week.

Demonstration of Critical Thinking

Written assignment (research investment topic) and testing

Required Writing, Problem Solving, Skills Demonstration

Research investment topic as a written assignment; exams

Eligible Disciplines

Business: Master's degree in business, business management, business administration, accountancy, finance, marketing, or business education OR bachelor's degree in any of the above AND master's degree in economics, personnel management, public administration, or Juris Doctorate (J.D.) or Legum Baccalaureus (LL.B.) degree OR bachelor's degree in economics with a business emphasis AND master's degree in personnel management, public administration, or J.D. or LL.B. degree OR the equivalent. Master's degree required.

Textbooks Resources

1. Required Strong, Robert. Practical Investment Management, ed. Mason: Thomson Southwest Publishers, 2007 Rationale: , 2. Required Mayo, Herbert. Investments: An Introduction, 11 ed. Cengage, 2014