

Baruch College

Economics & Finance

FIN 4710

Fall 2021

Instructor: Chris Droussiotis
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Zoom Room: <https://baruch.zoom.us/j/2036145967>
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**Course: Fin4710 Advanced Investment Analysis-
Saturdays 7:50am – 10.45am**

Course Description:

The course is a continuance of FIN3710. As in FIN3710, the course is divided into two parts consisting of the first part that includes portfolio and investment analysis and second part company specific analysis such as financial statement analysis, projections, corporate valuation, and transaction analysis (LBO, M&A, IPO). Each part, which will be taught in two sessions, is a self-contained unit that will normally comprise one segment of a course in financial management. The parts are arranged in what the instructor believes is the most logical sequence starting from understanding investment analysis concepts, to applying those to construct a portfolio of investments and how to manage these investments to maximizing return and then looking at financial decisions CFOs make including raising capital. The two parts are highlighted in the “Course Outline” section, pages 5-6, of this syllabus.

Course Learning Overall Objectives:

The objective of this course is to teach the fundamental concepts and tools that represent the core of investment analysis. Individuals taking this course will develop an understanding of all the basic terminology used every day on Wall Street; develop a sense of risk and rewards mechanisms that applied across major asset classes. These basic tools, as well as “time-value of money” and risk & rewards assessment will be used to construct and manage a portfolio of investments. Also, the course will familiarize the students with ways in which analytical techniques are applied to a variety of problems in financial management. The Course will supply institutional material necessary for solid understanding of the environment in which financial decisions are made.

Program Specific Learning Objectives (LO)

Upon successful completion of this course, the student will be able to:

1. Estimate the risk-return tradeoff for diversified investment portfolios by applying the fundamental principles of portfolio theory.
2. Apply the principal time value of money (TVM) concepts used in financial analysis and valuation.
3. Understand Bond trading and invoice prices, accrued and cash interest rates, current yields, yield to maturity (YTM), yield to call (YTC) and yield to worse (YTW).
4. Apply bond portfolio management concepts including market value, duration and convexity and understand the risk sensitivities to yield curves and interest rate movements.

5. Determine the value of equity securities by using the seven (7) methods including Dividend Discount Model (DDM), Intrinsic Value using CAPM, Trading and Acquisition Comparable methods, Discounted Cash Flow method (DCF), Leveraged Buyout Method (LBO) and Venture Capital Target Return (VC) methods for both publicly traded and privately held companies.
6. Apply the Net Present Value (NPV) method and alternative decision rules such as the Internal Rate of Return (IRR) and the Payback Method to evaluate investment projects
7. Classify the core components of the three (3) principal financial statements: the balance sheet, the income statement, and the statement of cash flows and identify commonly used financial ratios to measure a firm's financial performance.
8. Understand equity options, and apply basic option strategies including Protective Puts, Covered Calls, Collars and Straddles; and advance options strategies such as Bull, Bear and Butterfly Spreads. .
9. Determine the value of options using models including Single and Two-period Binomial Option Pricing methods and Black-Sholes.
10. Understand other commodity, currency and index Futures & Forwards and interest rate and currency Swaps.

Textbooks (Optional)/ Reading Material:

An Analytical Approach to Investments, Finance and Credit, 1st Edition (CD)

Chris Droussiotis

Cognella Academic Publishing

Cognella Store Link : <https://store.cognella.com/93858>

Please note that this textbook will be used for lectures, spreadsheets, projects, and your homework (via the digital platform Active Learning) will be my own textbook that was published a few years ago called: "The Analytical Approach to Investments, Finance and Credit" First Edition by Chris Droussiotis. I believe this book will not only help you navigate this class better but more importantly it includes many sections that should help you prepare to get ready for your banking career after graduation. The purchase is recommended and but not required.

Essentials of Investments – latest Edition (BKM)

Zvi Bodie, Alex Kane & Alan Marcus

Bookstore

The Quants: How a New Breed of Math Whizzes Conquered Wall Street and Nearly Destroyed It

Scott Patterson

Amazon Link: <http://www.amazon.com/Quants-Whizzes-Conquered-Street-Destroyed/dp/0307453375>

Materials to be provided by the Instructor (found on www.ProfessorDrou.com):

- IPO offering prospectus on a live deal
- Bond Prospectus on a live deal
- Excel spreadsheets of various portfolio management analyses Equity and Bond Analysis / DCF / CAPM models / Option strategy spreadsheets

Course Assignments:

Attendance (10%):

Students are expected to attend on-line and to participate in classroom discussions. It is important to attend every class because the Exams are based on the instructor’s lectures and classroom notes. Class participation will count as part of the course grade. Attendance accounts for 10% of your grade. The attendance will be monitored via zoom tools including the login and logout as well as be ready for discussions in class. The grade breakdown for attendance is as follows:

Missing 1 class	90 x 10% x final grade
Missing 2 classes	80 x 10% x final grade
Missing 3 classes or more	70 x 10% x final grade

Homework (15%):

Reading assignments and application projects will be assigned. Check Homework assignments and datelines on the professor’s website at www.ProfessorDrou.com under FIN 4710. Homework is either accessible manually from the website or through the **Active Learning** digital platform. A lot of the homework will be completing excel templates that need to be uploaded via Active Learning or the professor’s Dropbox.

Homework accounts for 20% of your grade. Also check datelines on the syllabus schedule below.

Project (15%):

See Appendix for Project description. Project accounts for 15% of your grade.

Exams (60%):

There will be a midterm and a final exam.

Midterm Studies: CD Textbook Chapters 1-4, 10-13

Final Exam Studies: CD Textbook Chapters 5-6, 9, 15-17

Grading:

Mid Term Exam *	30%
Final Exam*	30%
Homework	15%
Attendance	10%
Project	15%
Total	<u>100%</u>

***CD Factor:**

This is to give the benefit for students of significant improvement between Mid-Term Exam and Final. The Weighted averages are as follows:

Improvement	Mid-Term Weighting	Final Exam Weighting
35% and higher	10%	50%
30-34%	15%	45%
25%-29%	20%	40%
20%-24%	25%	35%
19% or lower (including negative)	30%	30%

Grading Policy

A	93.0-100.0	C+	77.1-79.9
A-	90.0-92.9	C	73.0-77.0
B+	87.1-89.9	C-	70.0-72.9
B	83.0-87.0	D+	67.1-69.9
B-	80.0-82.9	D	60.0-67.0
		F	Below 60.0

Zoom Conference Recordings and other Requirements

Zoom Link: <https://baruch.zoom.us/j/2036145967>

Consent to recording:

Students who participate in this class with their camera on or use a profile image are agreeing to have their video or image recorded solely for the purpose of creating a record for students enrolled in the class to refer to, including those enrolled students who are unable to attend live. If you are unwilling to consent to have your profile or video image recorded, be sure to keep your camera off and do not use a profile image. Likewise, students who un-mute during class and participate orally are agreeing to have their voices recorded. If you are not willing to consent to have your voice recorded during class, you will need to keep your mute button activated and communicate exclusively using the "chat" feature, which allows students to type questions and comments live.

Student Disabilities

We have a process at Baruch for determining whether a student who identifies as disabled is eligible for reasonable accommodations to complete the student's academic program. We strive to ensure that no student with a disability is discriminated against and that none is denied participation in college programs and activities for lack of reasonable accommodations.

Some people think that a disability must be visible to be accommodated. This is not the case. There are many disabilities – diabetes, psychological illness, learning disabilities, AIDS, seizure disorders, arthritis, etc., – that require accommodations.

Examples of possible accommodations include additional testing time; adaptive equipment; and taping of classes. If you feel that you may need a reasonable accommodation based on a disability, please contact the staff at the Office of Disability Services, Newman Vertical Campus, Room 2-271, or by phone at (646) 312-4590.

Academic Integrity

Cheating and plagiarism are serious offenses. The following definitions are based on the College's Academic Honesty website:

Cheating is the attempted or unauthorized use of materials, information, notes, study aids, devices or communication during an academic exercise.

Examples include but are not limited to:

- Copying from another student during an examination or allowing another to copy your work
- Unauthorized collaborating on a take home assignment or examination
- Using unauthorized notes during a closed book examination
- Using unauthorized electronic devices during an examination
- Taking an examination for another student
- Asking or allowing another student to take an examination for you
- Changing a corrected exam and returning it for more credit

- Submitting substantial portions of the same paper to two classes without consulting the second instructor
- Preparing answers or writing notes in a blue book (exam booklet) before an examination
- Allowing others to research and write assigned papers including the use of commercial term paper services

Plagiarism is the act of presenting another person's ideas, research or writing as your own, such as:

- Copying another person's actual words without the use of quotation marks and footnotes (a functional limit is four or more words taken from the work of another)
- Presenting another person's ideas or theories in your own words without acknowledging them
- Using information that is not considered common knowledge without acknowledging the source
- Failure to acknowledge collaborators on homework and laboratory assignment

My policy is to give a 0 grade to any assignment that has been plagiarized or an exam in which you have cheated. In addition, I am required by college policy to submit a report of suspected academic dishonesty to the Office of the Dean of Students. This report becomes part of your permanent file.

Additional and Important information for students about the consequences of cheating and plagiarism: http://www.baruch.cuny.edu/academic/academic_honesty.html

Classroom Management and Other Policies

- **Make-up Exams** need to be communicated to the instructor prior to the exam date accompany with evidence of the reason for missing such exam. The make-up exam needs to be taken within 7 days of the exam.
- **Not attending on-line class or running late:** If you are running late or not planning to attend the class because of sickness or any other reasonable excuse please let the instructor know by contacting him via text at 908-930-4725 or email at Christakis.Droussiotis@baruch.cuny.edu
- Cell phones must be turn off during class

* The Calendar with all lecture notes, assignment due dates and other information could be obtained by going to Professor Droussiotis's Website at www.ProfessorDrou.com under Baruch FIN 4710.

FINAL PROJECT – 4710

1. Company Profile

- Write a brief profile of the company you are assigned to including a description of their products or services and the markets they compete.
- Summary of their stock performance in the last year versus the market and closest competitors.

2. Financial Analysis

- The financial analysis should include, but not be limited to, the preparation of the latest 3-year financial statements (Income Statement, Balance Sheet and Cash Flow Statement). Please note that if the last statement is the quarterly statement then the student needs to add the last 4 quarters to create the year (for example, LTM September 30, 2021 representing the Last Twelve Months through September 31, 2021)
- Provide an explanation of the results year-over-year including ratio and trend analysis.

3. Projections & Valuations

- Projections and Valuation Analysis for your assigned public company using Excel. The valuation analysis should calculate the assigned companies Enterprise Value using the following 3 methods of valuation:
 - Method #1 (stock price to calculate the EV)
 - Method #4 (Trading Comparable)
 - Method #6 (DCF Analysis)
- In addition to the analysis, you need to provide a page or two of discussions on your analysis including the assumptions you used for driving revenues and expenses.
- Discussions on the results on your various methods of valuation and recommend if someone should **buy, hold, or sell the stock**.

4. Technical Analysis

- Analyze the stock performance against the market (S&P 500) generating beta coefficient and other standard deviation results.