University of Wisconsin Oshkosh
College of Business
Finance & Business Law Department

Bus 333: Financial Markets
Course Syllabus, Spring 2012

Professor: Dr. Robert A. Kunkel

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Program Assistant: Ms. Pat Stremer

Office Hours: to be determined and by appointment.

<table>
<thead>
<tr>
<th>Section</th>
<th>Time</th>
<th>Days</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>001C</td>
<td>8:00 – 9:30</td>
<td>TR</td>
<td>2221 Sage Hall</td>
</tr>
<tr>
<td>002C</td>
<td>9:40 – 11:10</td>
<td>TR</td>
<td>2221 Sage Hall</td>
</tr>
</tbody>
</table>

Online: D2L will be utilized for this course and can be accessed at www.uwosh.edu/d2l


Common Sense on Mutual Funds was named the “Best Contemporary Investing Book” by Kiplinger’s Personal Finance magazine in November 2006. Bogle is the founder of the Vanguard Group, which is the largest investment company in the world with over $1 trillion under management.

Financial Calculator: Students need a financial calculator that can compute an internal rate of return (IRR) when the cash flows are uneven. A calculator will save students time, improve accuracy, and allow students to do more “what if” scenarios. The instructor is familiar with the following Texas Instrument (TI) models … TI BAII Plus and TIBA II Plus Professional.

Titan Readship Program: The USA Today, Milwaukee Journal Sentinel, and New York Times. Reading one of these newspapers helps students better understand finance by linking lectures and assignments to “real life” issues. We will discuss articles from these newspapers and you can get a newspaper on campus at no cost.

Prerequisites: Bus 331 and Bus 389 with grades of C or better
Course Description: This course examines the financial system of the United States and other countries. The financial system includes a collection of financial markets, financial securities including financial derivatives, financial institutions, laws, and regulations. Furthermore, the course examines the role and operation of financial markets to raise and allocate scarce capital resources. Additionally, the course examines how interest rates are determined and the effects of the Federal Reserve and Treasury policies on the financial system.

Course Objectives:

Upon completion of the course, students will be able to:

1. Describe savings and investment process including the major channels in which funds flow through the financial markets.
2. Explain factors which determine interest rates within the financial markets.
3. Describe the international dimensions of currency exchange rates.
4. Explain the role and operation of central banks including the Federal Reserve System.
5. Describe the principal money market instruments including T-bills, commercial paper, negotiable CDs, and fed funds.
6. Describe and price the principal fixed income instruments including T-notes, T-bonds, STRIPS, TIPS, corporate bonds, and municipal bonds.
7. Explain the mortgage markets along with the government agencies and government sponsored enterprises including Fannie Mae, Freddie Mac, Ginnie Mae, and FHLB.
8. Discuss the role of value at risk (VAR) models in managing interest rate risk including duration GAP and GAP models.
9. Discuss the role of derivatives such as interest rate swaps and stock options in the management of money.

Support for the Goals and Objectives of the College of Business Administration (COBA)

The course will complement the goals and objectives established for the BBA degree by the COBA. Specific objectives include:

1. Within the area of business knowledge, this course will broaden and strengthen students understanding of the financial function within the economy.
2. Within the environment of business, this course will focus on expanding your knowledge of the international dimensions of business and the increasingly global environment in which the finance area functions.
3. The various written assignments required for this course are intended to improve your communication skills as well as your organization skills when you present that material in a meaningful, easy-to-understand format.

<table>
<thead>
<tr>
<th>Assignments and Grades:</th>
<th>Points</th>
<th>Grade Range</th>
<th>Letter Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exams 1, 2, 3............</td>
<td>240</td>
<td>90.0 – 100%</td>
<td>A</td>
</tr>
<tr>
<td>Quizzes..................</td>
<td>40</td>
<td>88.0 – 89.9%</td>
<td>A-</td>
</tr>
<tr>
<td>Project...................</td>
<td>50</td>
<td>86.0 – 87.9%</td>
<td>B+</td>
</tr>
<tr>
<td>Homework 1, 2, 3, 4.....</td>
<td>60</td>
<td>80.0 – 85.9%</td>
<td>B</td>
</tr>
<tr>
<td>Total.....................</td>
<td>390</td>
<td>78.0 – 79.9%</td>
<td>B-</td>
</tr>
</tbody>
</table>

Depending on overall student performance, the professor may adjust the final grade scale by lowering the total points required for any letter grade.

Exam: Exams will consist of short answers, problems, multiple choice problems, and/or multiple choice questions. The exams will be based on lectures, assigned readings, and homework.

Quizzes: Students will be assigned to read various chapters from *Common Sense on Mutual Funds* by John Bogle. A quiz may be given on the assigned chapter at the beginning of class. Each quiz will be worth 5 or 10 points, and students can earn a maximum of 40 points.

Project and Homework: The project will involve financial markets, fixed annuities, and long-term savings. The project will address reading comprehension, technology (Internet), and current events.

Homework will be given throughout the semester to help the student prepare for exams and to help him master the course objectives. Homework will be collected and graded, but note that only parts of the homework may be graded. Each assignment is worth 15 points.

In the business world, how you present your work is important. Thus, assignments are graded not only on accuracy, but also on appearance, attention to detail, and for being submitted on time. Appearance means there should not be any scratch out, and if so, then points will be deducted (use erasers & white-out).

**Homework: must be stapled in the upper left hand corner or there will be a five-point deduction.**

**Project: use a binder clip to hold the project if it is too large to staple.**

**Assignments must be received by the end of the grace period or there will be at least a five-point deduction.**

**Assignments received after answers have been presented in the first section (8:00 a.m.) will most likely not be graded … this means assignments received under my door after class will likely not be graded.**
Extra Credit: There are 3 extra credit opportunities worth 4 points each. Thus, students can earn a maximum of 12 extra credit points. You can choose to do any combination of the three.

Extra credit addresses three key skills for success in finance:

1. following directions,
2. time management, and
3. attention to details.

I. Extra Credit I: You must introduce yourself to the class via “Discussions” on D2L. You must include: (i) interests/hobbies, (ii) favorite music, (iii) a favorite TV show, (iv) a favorite movie, (v) a favorite book, (vi) a favorite quotation, (vii) a favorite website, (viii) a future goal, (ix) a memorable learning experience. Note that you may simply complete your D2L profile section entitled, “about me” and then cut and paste it as your introduction. Additionally, you must upload an image of yourself on your D2L profile. The introduction and image must be posted by February 11th. Note if you list just 8 of the 9 items requested, then you will receive zero extra credit points. Likewise, if you do not upload an image of yourself, you will receive zero extra credit points.

II. Extra Credit II and/or III: follow the instructions below:

1. Extra Credit II: you must post one article summary between February 19th and March 17th and the article must have been published during that time frame.

2. Extra Credit III: you must post one article summary between March 31st and April 28th and the article must have been published during that time frame.

3. Note that articles must be from a hardcopy (not an online version) of the USA Today, Milwaukee Journal Sentinel, New York Times, or the Wall Street Journal.

4. Note that articles must relate to a financial markets topic that is related to the course material, but articles cannot be on the stock market or the stock of an individual firm (save those articles for your investments class). Eligible topics include money markets, bond markets, interest rates, Fed, regulation, banks, and exchange rates.

5. Note that summaries must be posted under “Discussions” on D2L and be at least 250 words. You may use Word to count the number of words. Summaries must also include a citation with author, date, newspaper, and page number.

6. Note that articles can only be summarized one time for extra credit … only the first student summarizing an article may receive extra credit for that article. Students with a good article may want to immediately post their summary.

7. There will be a 4 point deduction for each requirement not met, for example:

   - a summary of 249 words would receive zero points,
   - a summary posted early or late would receive zero points, and
- a summary on an online article would receive zero points.

**Expectations:** Students are expected, on average, to study 6 hours a week … this translates to 2 hours of out-of-class work for every hour in class. However, some students will need to spend more than 6 hours a week if they had difficulty with their classes in business finance, economics, math, and accounting. Students are expected to attend all classes and to participate in class discussions. They are expected to report their homework findings and be able to discuss assigned articles and chapters assigned from *Common Sense on Mutual Funds*. Students are responsible for knowing what occurs in class, which may include assignments, announcement of exam dates, and syllabus revisions. Since the exams will contain material from class lectures and discussions, it is beneficial to attend class regularly.

**Class Policies:**

*Students with Disabilities.* Appropriate academic support is available for students with a documented disability. Notify the professor and/or contact the Office of Disability Services for further information.

*Excused Absences.* For students who miss class due to an excused absence, the professor will make some type of arrangement for missed assignments. Excused absences include:

- *Absence due to illness* is an excused absence if the student notifies the professor of the absence and provides documentation of the illness.

- *Absence due to an official University activity* is an excused absence if the student notifies the professor and provides written documentation from an appropriate University representative prior to the absence.

- *Absence due to emergency.* Evaluation of whether an absence due to an emergency is an excused absence will be made by the professor on a case by case basis. At a minimum, the student should notify the professor of the absence as soon as possible and should provide documentation of the emergency.

*Exam Make-up Policy.* A student that must miss an exam should talk to the professor in advance. If the student has an excused absence, he can make-up the exam and receive full credit. If the student does not have an excused absence, then he may or may not be allowed to make-up the exam. If the student is allowed to make-up the exam without an excused absence, then his make-up exam score will be reduced one letter grade.

*Academic Integrity:* Students are expected to comply with University rules and regulations on academic integrity and honesty. Violation of these rules and regulations will result in: (i) no credit for the assignment or exam in question, or (ii) a grade of F in the course.

**Things to Note:**

1. I have an open door policy. This means that you may stop by my office at anytime to ask questions. If I am in my office and it is possible, I will meet with you immediately. If I am unable to meet at that time, we can set up an appointment.

2. Students (and former students) are encouraged to stop by my office to discuss curriculum, internships, Finance Club, career opportunities, and graduate school.

3. Punctual attendance at all meetings is expected. If you miss class, you should get

Robert A. Kunkel

Syllabus for Bus 333: Financial Markets

Spring 2012, page 5 of 7
the notes from another student.
Course Topics*

The Financial System

The Role of the Financial System in the Global Economy (Chapter 1)

Mutual Funds

Mutual Fund Operations (Chapter 23)

Derivative Security Markets

Option Markets (Chapter 14)
Foreign Exchange Markets (Chapter 16)
Interest Rate Derivative Markets (Chapter 15)

Interest Rates

Determination of Interest Rates (Chapter 2)
Structure of Interest Rates (Chapter 3)

The Federal Reserve and Regulation

Central Banks around the World and Functions of the Fed (Chapter 4)

Regulation of Financial Institutions Regulation
(Madura 8th edition – Chapter 18 and pages 81-82, 324-326, 590-594)
(Madura 9th edition – Chapter 18 and pages 90, 315-318, 557-560)
(Madura 10th edition – Chapter 18 and pages 87, 309-311, 549-552)

Debt Security Markets

Money Markets (Chapter 6)
Bond Markets (Chapter 7)
Bond Valuation and Risk (Chapter 8)
Mortgage Markets and Federal Agencies (Chapter 9)

* Course topics are subject to changes that would be announced in class.

Course Schedule*

Week 1
Role of the Financial System in the Global Economy (Madura – Chapter 1)
Mutual Fund Operations (Madura – Chapter 23)
Bogle - Chapter 1

Week 2
Mutual Fund Operations (Madura – Chapter 23)
Bogle - Chapters 2 and 3

Week 3
Options (Madura – Chapter 14)
Bogle – Chapters 4 and 5
Project – Part I Due
Self-Test on Options (not submitted)

Week 4
Foreign Exchange Markets (Madura – Chapter 16)
Bogle – Chapters 6 and 7
Project – Part II Due

Week 5
Interest Rate Derivative Markets (Madura – Chapter 15)
Bogle – Chapters 8 and 9
Homework 1 Due
Self-Test on FX Mkts (not submitted)

Week 6
Determination of Interest Rates (Madura – Chapter 2)
No Bogle chapters this week.
Exam 1 (Chapters 14, 15, 16, and 23) … 1 hour exam to be given in the Testing Center

Week 7
Structure of Interest Rates (Madura – Chapter 3)
Bogle - Chapters 10 and 11

Week 8
Central Banks around the World and Functions of the Fed (Madura – Chapter 4)
Bogle – Chapters 12 and 13
Homework 2 Due

Week 9
Bogle - Chapters 14 and 15
Homework 3 Due

Week 10
Money Markets (Madura – Chapter 6)
No Bogle chapters this week.
Exam 2 (Chapters 1, 2, 3, 4, and 18) … 1 hour exam to be given in the Testing Center

Week 11
Bond Markets (Madura – Chapter 7)
Bogle - Chapters 16 and 17
Self-Test on MMI (not submitted)

Week 12
Bond Valuation and Risk (Madura – Chapter 8)
Bogle - Chapters 18 and 19
Self-Test on Bonds (not submitted)

Week 13
Mortgage Markets and Agencies (Madura – Chapter 9)
Bogle – Chapters 20 and 21
Homework 4 Due
Self-Test on Duration (not submitted)

Week 14
Mortgage Markets and Agencies
Bogle – Chapter 22
Course Review
Exam 3 (Chapters 6, 7, 8, and 9) … 1 hour exam to be given in the classroom

* Course schedule is subject to changes that would be announced in class.