



El Camino College
COURSE OUTLINE OF RECORD – Official

Course Acronym:	BUS
Course Number:	118
Descriptive Title:	Investing in Financial Markets
Division:	Business
Department:	Business Management
Course Disciplines:	Business Management
Catalog Description:	This course introduces students to financial investing with specific focus on stock, bonds, mutual funds, and electronically traded funds. Real estate investment trusts, options, commodities and futures are also explained. The macroeconomic environment is discussed as well as portfolio development, risk, and regulation of the financial markets.
Prerequisite:	
Co-requisite:	
Recommended Preparation:	BUS 117 and proficient in elementary algebra skills
Enrollment Limitation:	
Hours Lecture (per week):	3
Hours Laboratory (per week):	0
Outside Study Hours:	6
Total Course Hours:	54
Course Units:	3
Grading Method:	Letter Grade and Pass/No Pass
Credit Status:	Credit, degree applicable
Transfer CSU:	
Effective Date:	
Transfer UC:	
Effective Date:	
General Education: ECC	
Term:	
Other:	
CSU GE:	
Term:	
Other:	
IGETC:	
Term:	

Other:	
Student Learning Outcomes:	<p>SLO #1 - Asset Allocation</p> <p>Students develop an asset allocation plan of appropriately weighted asset classes that are consistent with a risk tolerance and tax strategy.</p> <p>SLO #2 - Regulation</p> <p>Students demonstrate their understanding of the government's role to regulate the financial markets.</p> <p>SLO #3 - Portfolio</p> <p>Students develop a "simulated" portfolio of securities and measure their return as compared to the market.</p>
Course Objectives:	<ol style="list-style-type: none"> 1. Financial Securities - Understand various financial securities, specifically a stock, bond, and mutual fund, and their uses in an investment portfolio. 2. Risk and Return Measures - Understand and explain measures of risk and return. 3. Equities Securities - Understand various equities securities and asset classes, their risk and return profiles, valuation, role in a portfolio, and correlation to other assets, taxation, and strategies for use in investing. 4. Fixed Income - Understand various fixed-income securities and asset classes, their risk and return profiles, valuation, and role in a portfolio. 5. Regulations and Laws - Understand the regulations that govern investments and securities sales. 6. Portfolio Management - Understand and implement strategies for portfolio construction and management consistent with investment and tax strategies.
Major Topics:	<p>I. Fundamentals of Investing (12 hours, lecture)</p> <ol style="list-style-type: none"> 1. Primary, secondary markets 2. Long and short positions 3. Present and future value of a single amount/annuity and calculating compounding and discounting 4. Asset allocation and the importance of a diversified portfolio 5. Managing your portfolio, portfolio theories and measuring risk 6. Investment companies and active vs passive management 7. Types of accounts including: 401k/403b, pension plans, 529, and IRA 8. Efficient market hypothesis and technical analysis. 9. Process of trading and types of orders 10. Professional designations including Chartered Financial Analyst, Chartered Financial Analyst, Certified Financial Planner, and Chartered Financial Consultant 11. Role of Financial Industry Regulatory Authority (FINRA) and regulation of the markets including federal securities laws and the Securities and Exchange Commission <p>II. Macroeconomic Environment (6 hours, lecture)</p> <ol style="list-style-type: none"> 1. Economics factors including: business cycles, gross domestic product, consumer confidence, consumer price index, Federal Reserve, monetary policy and fiscal policy

2. Market indexes including: the Dow Jones Industrial Average, Standard & Poor's 500, New York Stock Exchange Composite Index, Russell 2000, Nasdaq Index, and sector indices

III. Stock (9 hours, lecture)

1. Characteristics of stock including: voting rights, dividends, distribution vs. reinvestment of dividends, stock split, and stock repurchase
2. Common vs. preferred vs. restricted stock
3. Calculating value, beta, and risk including risk-adjusted return
4. Ratio analysis including liquidity ratios, activity ratios, profitability ratios, and capitalization ratios
5. Research methods including online sources and analysis of financial statements

IV. Mutual Funds (9 hours, lecture)

1. Open and closed-end investment companies
2. Calculating net asset value, fees, and expenses
3. Taxation including capital gains and distribution
4. Measuring performance with indices

V. Real estate investment trusts (REITs) and electronically traded funds (ETF) (3 hours, lecture)

1. Classification of REITs and tax benefits
2. Hedge funds and private equity firms
3. Appeal and types of ETFs

VI. Fixed-income securities: Bonds and Government debt (9 hours, lecture)

1. Characteristics of bonds including: principal, maturity date, interest, indenture, yield, trustee, and features and value of convertible bonds
2. Calculating the price of a bond and value over a finite life
3. Bond risk and ratings system
4. Methods for retiring bonds
5. Differentiating a government bond from a corporate bonds
6. Variety of federal government debt including: treasury bills, intermediate-term bonds, long-term bonds, and inflation-protected bonds and investing in state and local debt

VII. Options (3 hours, lecture)

1. Characteristics of options including: expiration date, call, put, intrinsic value, exercise price, and premium.
2. Performance of options, valuations and strategies
3. The Chicago Board Options Exchange

VIII. Commodity and Financial Futures (3 hours, lecture)

1. Futures contracts, commodity positions, hedging, and pricing of futures
2. Currency futures and Swaps
3. Regulation of commodity markets

	1. Cryptocurrencies and blockchain
Total Lecture Hours:	54
Total Laboratory Hours:	0
Total Hours:	54
Primary Method of Evaluation:	Skills demonstration
Typical Assignment Using Primary Method of Evaluation:	<p>You are offered two stocks. The beta of A is 1.4 while the beta of B is 0.8. The growth rates of earnings and dividends are 10 percent and 5 percent, respectively. The dividend yields are 5 percent and 7 percent, respectively.</p> <ol style="list-style-type: none"> 1. Since A offers higher potential growth, should it be purchased? 2. Since B offers a higher dividend yield, should it be purchased? 3. If the risk-free rate of return were 7 percent and the return on the market is expected to be 14 percent, which of these stocks should be bought? <p>Show your calculations for each part of the question and fully explain your answer in a written paragraph.</p>
Critical Thinking Assignment 1:	<p>Consider the following four investments:</p> <p>A. You invest \$3,000 annually in a mutual fund that earns 10 percent annually, and you reinvest all distributions. How much will you have in the account at the end of 20 years?</p> <p>B. You invest \$3,000 annually in a mutual fund with a 5 percent load fee so that only \$2,850 is actually invested in the fund. The fund earns 10 percent annually, and you reinvest all distributions. How much will you have in the account at the end of 20 years? Assume that all distributions are not subject to the load fee.</p> <p>C. You invest \$3,000 annually in a no-load mutual fund that charges 12b-1 fees of 1 percent. The fund earns 10 percent annually before fees, and you reinvest all distributions. How much will you have in the account at the end of 20 years?</p> <p>D. You invest \$3,000 annually in no-load mutual fund that has a 5 percent exit fee. The fund earns 10 percent annually before fees, and you reinvest all distributions. How much will you have in the account at the end of 20 years?</p> <p>In each case, you invest the same amount - \$3,000 - every year; the fund earns the same return each year - 10 percent, and you make each investment for the same time period - 20 years. At the end of the 20 years, you withdraw the funds. Why is the final amount in each mutual fund different? Show your calculations for each part of the question and fully explain your answer in a written paragraph format.</p>
Critical Thinking Assignment 2:	<p>Portfolio A consists entirely of \$1,000 zero coupon bonds that mature in 8, 9, and 10 years. Portfolio B consists of \$1,000, 8 percent coupons that matures in 10, 15, and 20 years.</p> <p>A. Based on this information, which portfolio appears to be riskier? Why?</p>

	<p>B. If the rate of return on comparable bonds is 8 percent, what are the price and duration of each bond?</p> <p>C. If interest rates do change as you expected, what is the forecasted change in the value of the bond?</p> <p>D. What is the forecasting error based on duration and the actual change in each bond's price?</p> <p>Show your calculations for each part of the question and fully explain your answer in a written paragraph.</p>
Other Evaluation Methods:	Class Performance, Embedded Questions, Homework Problems, Multiple Choice, Objective Exam, Performance Exams, Presentation, Quizzes, Reading Reports, Term or Other Papers, True/False, Written Homework
Instructional Methods:	Demonstrations, Discussion, Group Activities, Guest Speakers, Lecture, Multimedia presentations, Role play/simulation
If other:	
Work Outside of Class:	Answer questions, Journal (done on a continuing basis throughout the semester), Problem solving activity, Required reading, Skill practice, Study, Written work (such as essay/composition/report/analysis/research)
If Other:	
Up-To-Date Representative Textbooks:	Mayo, Herbert B., Investments, 13 Ed. (2019). Cengage, 978-0-357-12795-7
Alternative Textbooks:	
Required Supplementary Readings:	
Other Required Materials:	
Requisite:	
Category:	
Requisite course(s): List both prerequisites and corequisites in this box.	
Requisite and Matching skill(s): Bold the requisite skill. List the corresponding course objective under each skill(s).	
Requisite Skill:	
Requisite Skill and Matching Skill(s): Bold the requisite skill(s). If applicable	

Requisite course:	Business 17: Personal Finance - Basic concept of stock
Requisite and Matching skill(s): Bold the requisite skill. List the corresponding course objective under each skill(s).	Students should be familiar with time value of money, especially future and present calculations. Bus 17: Discuss the use of money as a tool for achieving personal financial goals.
Requisite Skill:	Proficient in Elementary Algebra Skills - Helpful to solve calculations
Requisite Skill and Matching skill(s): Bold the requisite skill. List the corresponding course objective under each skill(s). If applicable	Students should be able to perform simple math calculations with whole numbers. Use the properties of the real numbers to evaluate, simplify, and factor algebraic expressions, including expressions with fractions and radicals.
Enrollment Limitations and Category:	
Enrollment Limitations Impact:	
Course Created by:	Melissa SomdeCerff
Date:	03/13/2021
Original Board Approval Date:	05/17/2021
Last Reviewed and/or Revised by:	12/19/2022