

COURSE SYLLABUS

Course Number: FIN123 **Title:** Investment Analysis

Department/Program: Finance and Accounting **School:** SOM

Semester: _____ **School Year:** _____ **Instructor:** _____

A. COURSE DESCRIPTION

These are confusing times for financial market participants – investors, speculators, spectators, teachers, regulators alike. We are inundated with countless methods and theories that attempt to help us thrive in the market. Ironically, the significantly increased attention that the field is getting from business academics seems to have done nothing but to add to the confusion.

Interestingly, there are a few theories and methods in finance that seem to hold in spite of attacks aimed at discrediting them. One of these methods – popularly known as *value investing* – was first taught at Columbia University in the 1930s by Benjamin Graham. Warren E. Buffet, who learned from Graham’s classes, is now the most popular proponent of the method.

Targeted to juniors and seniors (15 to 50 students). Any students welcome.

B. COURSE OBJECTIVES

This course aims to provide each student with the knowledge and skills necessary to apply value investing, particularly in the equity or stock market. At the end of the course, students should have a basic grounding of the skills set that would enable them to independently spot securities that have good potentials to outperform benchmark indices and comparable investment alternatives.

C. COURSE OUTLINE

Lecture 1 – Introduction + Review of Accounting and Macroeconomics

1. Introduction
2. A Review of Relevant Accounting Concepts
3. A Review of Relevant Macroeconomics Concepts

Lecture 2 – Market Tendencies

1. Quiz
2. Efficient Markets Hypothesis and Index Investing
3. Market Behaviour (Behavioural Economics)
4. The Two Methods of Value Investing: Introduction

Lecture 3 – Part 1 of Cash Flow Approach: Moat Analysis

1. Philip Kotler’s 4Ps
2. Michael Porter’s 5 Forces

Lecture 4 – Part 2 of Cash Flow Approach: Cash Flow and Terminal Value Forecasting + Margin of Safety

1. Quiz
 2. Forecasting Cash Flow
 3. Terminal Value Estimation
 4. Margin of Safety
 5. Other Consideration: Management, Dilution, Derivatives, Pension Liabilities, Compliance, etc.
- Lecture 5 – Part 3 of Cash Flow Approach: Case
1. Quiz
 2. Class Case 1
 3. Case Assignment 1
- Lecture 6 – Research Tools + Part 1 of the Balance Sheet Approach
1. Case Assignment 1 Discussion
 2. Net Asset Value (NAV) Analysis
 3. NAV Trend Analysis
 4. Margin of Safety Applied to the Balance Sheet Approach
 5. A Review of the Market’s Reversion to Fair Value Tendency
- Lecture 7 – Part 2 of the Balance Sheet Approach
1. Quiz
 2. Diversifying A Cigar Butt Portfolio
 3. Class Case 2
 4. Case Assignment 2
- Lecture 8 – Research Tools + Class Case 3
1. Case Assignment 2 Discussion
 2. Final Project Discussion
 3. Research Tools
 4. Class Case 3
- Lecture 9 – Class Case 4 & 5
- Lecture 10 – Class Case 6 & 7
- Lecture 11 – Class Case 8 & 9
1. Class Case 8
 2. Class Case 9
 3. Case Assignment 3
- Lecture 12 – Modern History of the Financial Markets
1. Case Assignment 3 Discussion
 2. The Tulip Mania
 3. The South Sea Bubble
 4. The Great Crash
 5. The Japanese Bubble
 6. The Dot-Com Bubble
 7. The Great Recession
- Lecture 13 – Case 10 & 11
- Lecture 14 – Selected Topics in Finance
1. Quiz
 2. Hedge Funds and Other Strategies: Merger Arbitrage, Long-Short, etc.
 3. Current Issues: Executive Compensation, Healthcare, Derivatives Regulation
- Lecture 15 – Case 12 & 14
- Lecture 16 to Lecture 18 – Final Presentations

D. TIMEFRAME

Thurs 6-9pm time slot

E. REQUIRED READING

Selected topics from:

1. The Intelligent Investor by Benjamin Graham

2. Value Investing: From Graham to Buffett and Beyond (Bruce Greenwald et al);
3. Graham and Doddsville (Columbia Business School newsletter)
4. Selected articles, excerpts, etc.

F. SUGGESTED READINGS

1. Annual reports of Berkshire Hathaway
2. Valueline research reports on select US stocks
3. The Essays of Warren Buffett – Lessons for Corporate America (Arranged by Lawrence Cunningham)
4. A Random Walk Down Wall Street by Burton Malkiel
5. Selected parts of Seth Klarman's Margin of Safety

G. COURSE REQUIREMENTS

Pre-requisite classes: Basic Accounting, Marketing/Strategy, Macroeconomics, Financial Management (latter recommended only)

H. GRADING SYSTEM

Attendance 4%; case study – 3 x 12% = 36% (one case from each of us); mid-terms (theoretical test) – 20%; final group project (pick a stock + presentation) – 25%; quizzes and assignments – 15%

I. CLASSROOM POLICIES

All students shall be expected to complete selected assigned readings and come to class prepared with questions, ideas and other topics for discussion in line with each reading. Projects should be given additional preparation hours out of class for the student to benefit the most from such assignments.

J. CONSULTATION HOURS

Preference for Chester: Thursdays – 1 hour before class, 30 minutes after class, and by appointment

Preference for Jen: Through email would be best