DR. DONALD M. ATWATER

BSM 477.34

MONEY AND FINANCIAL MARKETS

FALL 2003

THURSDAYS

6:00 P.M.-10:00 P.M.

SAN FERNANDO VALLEY CENTER

SYLLABUS
Money and Financial Markets
BSM 477.34
Fall 2003

Thursday 6:00 P.M. -10:00 P.M.
San Fernando Valley Center

Dr. Donald M. Atwater
6033 Bridgeview Drive
Ventura, CA 93003
Office Phone: 805 642 2672
datwater@pepperdine.edu
Fax: 805 642 7427

Introduction

Successful managers understand how to find and secure the capital necessary to create, maintain, and expand their businesses. Finding and securing capital requires an understanding of investments, risk analysis, and a working knowledge of the institutions that manage money. John Maynard Keynes once said that an economist “must be a mathematician, historian, statesman, philosopher – in some degree. He must understand symbols and speak in words. He must study the present in the light of the past for the purposes of the future. No part of man’s nature or institutions must lie outside his regard.” (1924). The same is true of managers who must deal with money and financial markets. They need to understand how the various financial markets work, their historical and political foundations, and key public policy trends, as well as new forces that will change the financial and capital markets. This course will help the student better understand the financial arena, its institutions and its dynamics.

Course Description

The course focuses on the analysis of national income, interest rates, monetary and fiscal policy, inflation, and business cycles. It relates money, capital, and financial futures markets and the benefits and costs of investment choices available to businesses. The emphasis of this course is on providing an understanding of the macroeconomics environment in which business firms operate while reviewing empirical data and doing financial analysis at the microeconomic level.

Course Objectives:

1. To introduce the business student to the basic principles and forces that drive financial markets and institutions.
2. To develop the student’s research skills and presentation ability while working in small groups.
3. To apply the basic principles, concepts and relationships to real world situations and practical experiences.
4. To challenge the student with new evolving theories and propositions in finance.
5. Introduce the student to the challenges facing the practicing financial institution manager.
**Instructional Methods**

The course will consist of lectures, videos, class discussions, guest speakers, examinations, and presentations. The class lectures will aid in analyzing the salient issues present in the text. Real world examples will be used to apply and assess the issues presented in the text. The lectures are not meant to replace the reading assignments.

**Texts and Course Materials**


**Grading**

Evaluative criteria will be assigned as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Five (of ten) homework assignments</td>
<td>20%</td>
<td>100</td>
</tr>
<tr>
<td>Two (of four) profile reports</td>
<td>30%</td>
<td>150</td>
</tr>
<tr>
<td>Five in-class group assignments</td>
<td>10%</td>
<td>50</td>
</tr>
<tr>
<td>Two examinations</td>
<td>30%</td>
<td>150</td>
</tr>
<tr>
<td>Class Participation</td>
<td>10%</td>
<td>50</td>
</tr>
</tbody>
</table>

**Grades will be assigned as follows:**

A: 94% - 100%
A-: 90% - 93%
B+: 87% - 89%
B: 83% - 86%
B-: 80% - 82%
C+: 77% - 79%
C: 73% - 76%
C-: 70% - 72%
D+: 67% - 69%
D: 63% - 66%
D-: 60% - 62%
F: Below 60%

**Homework (20% of total grade)**

Homework is an essential part of this class. Homework assignments will require students to answer selected questions at the end of specific chapters in the text book. The questions assigned will surface issues and questions covered in the specific chapter(s) in which they appear and will help the student gain a better understanding of the subject matter. Five homework assignments (out of ten possible) will be selected by the student.
and turned in at the assigned times. Students will pre-select their choices during the second class session.

Profile Reports (30% of total grade)

At the beginning of the second session of this course students will select two of four possible profile reports. The four possible profile reports include: an article review, an institution profile report, a bond profile report, and a securities firm report. A set of five questions will be handed out for each report. A 4-6 page report will be turned in for each assignment. Some research, data gathering, analysis and interpretation will be required for each report. In addition, students will be required to prepare a handout and present a summary of their findings to the class. A set of guidelines for these assignments will be prepared and distributed during the second session of the course. Collaborative inputs from other students and peer reviews will be required as integral parts of these reports.

In-class Group Assignments (10% of total grade)

Five in-class assignments will be completed during this course. The assignments will focus on internet research and exercises. Group deliverables for the assignments will handed in and graded. All persons in the group will receive the same grade for the assignments. Only students in attendance will receive points for in-class assignments.

Examinations (30% of total grade)

There will be two examinations or chapter tests. These examinations will consist of multiple choice and short answer questions covering the material in text book. No make-up exams will be given except for very compelling reasons.

Class Participation (10% of grade)

Each student is given the responsibility to help create a learning environment by participating in class discussions. Most students will have had some business experience before taking this class. We can all benefit from each other’s experience. Participation will include involvement in eRoom “Discussions.” Students who assist others (respond to posted questions) will receive participation points. While the grading for participation will be more subjective than objective, the following will serve as a guideline for categorizing in class participants:

- **Ideal** = initiates and contributes towards the understanding of the material on a regular basis.
- **Outstanding** = Usually contributes to the content and often initiates discussion.
- **Above Average** = Frequently provides productive ideas and thoughts.
- **Average** = Contributes once things are moving and rarely initiates discussion.
- **Fair** = Sporadic contributions and/or tends to monopolize.
- **Poor** = Not a contributor and is forced to contribute to the discussions.
Attendance Policy

Class attendance is imperative in this course because of the collaborative learning approach and group presentations. Therefore, the student will be allowed only one absence without his/her grade suffering. It will be difficult to get an “A” grade in this course if the student has two or more absences. Unexcused lateness will be noted and will affect your participation grade.

Conduct

“The University expects from all of its students and employees the highest standard of moral and ethical behavior in harmony with its Christian philosophy and purposes. Engaging in or promoting conduct or lifestyles inconsistent with traditional Christian values is not acceptable.

The following regulations apply to any person, graduate or undergraduate, who is enrolled as a Pepperdine University student. These rules are not to be interpreted as all-inclusive as to situations in which discipline will be invoked. They are illustrative, and the University reserves the right to take disciplinary action in appropriate circumstances not set out in this catalog. It is understood that each student who enrolls at Pepperdine University will assume the responsibilities involved by adhering to the regulations of the University. Students are expected to respect order, morality, personal honor, and the rights and property of others at all times. Examples of improper conduct for which students are subject to discipline are as follows:

- Dishonesty in any form, including plagiarism, illegal copying of software, and knowingly furnishing false information to the University.
- Forgery, alteration, or misuse of University documents, records, or identification.
- Failure to comply with written or verbal directives of duly authorized University officials who are acting in the performance of assigned duties.
- Interference with the academic or administrative process of the University or any of the approved activities.
- Otherwise unprotected behavior that disrupts the classroom environment.
- Theft or damage to property.
- Violation of civil or criminal codes of local, state, or federal governments.
- Unauthorized use of or entry into University facilities.
- Violation of any stated policies or regulations governing student relationships to the University.

Disciplinary action may involve, but is not limited to, one or a combination of the alternatives listed below:

- **Dismissal** – separation of the student from the University on a permanent basis.
- **Suspension** – separation of the student from the University for a specified length of time.
- **Probation** – status of the student indicating that the relationship with the University is tenuous and that the student’s records will be reviewed periodically to determine suitability to remain enrolled. Specific limitations to and restrictions of the student’s privileges may accompany probation.” See current catalog.
Policy on Disabilities

Assistance for Students with Disabilities

“Students with disabilities, whether mental or physical, are encouraged to contact the Equal Opportunity Office before the academic year begins or soon after classes are in session. This office will assist each student by providing general information about campus facilities and available resources. The office will assist in providing reasonable accommodation to students with disabilities pursuant to applicable laws. Inquiries should be directed to equal opportunity officer, at (310) 506-6500. (Students who wish to file a formal grievance should refer to the “Nondiscrimination Policy,” which is listed in the “Legal Notices” section of this catalog.)” GSBM Catalog, pg. 31.
<table>
<thead>
<tr>
<th>Date</th>
<th>Topics</th>
<th>Readings</th>
<th>Assignments Due</th>
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</thead>
<tbody>
<tr>
<td>8/28/03</td>
<td>Money as a Financial Instrument</td>
<td>Burton 1-2</td>
<td>Sign up for Portal eRoom Discussion</td>
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<tr>
<td>9/04/03</td>
<td>Principles of Financial Markets</td>
<td>Burton 3</td>
<td>Chapter 3 Questions</td>
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<td>9/11/03</td>
<td>Interest Rates</td>
<td>Burton 4</td>
<td>Chapter 4 Questions</td>
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<td>9/18/03</td>
<td>Bond Prices</td>
<td>Burton 5</td>
<td><strong>Institution Profile Report</strong></td>
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<td>9/25/03</td>
<td>The Money Market</td>
<td>Burton 9</td>
<td>Chapter 9 Questions</td>
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<td>10/02/03</td>
<td>Examination #1</td>
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<td>10/09/03</td>
<td>Corporate and Govt Bond Market</td>
<td>Burton 10</td>
<td>Chapter 10 Questions</td>
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<td>10/16/03</td>
<td>Stock and Bond Market</td>
<td>Burton 11-12</td>
<td>Chapter 11-12 Questions <strong>Bond Profile Report</strong></td>
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<td>10/23/03</td>
<td>Financial Systems</td>
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<td>10/30/03</td>
<td>Risk Assessment and Management</td>
<td>Burton 21</td>
<td>Chapter 21 Questions <strong>Article Review</strong></td>
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<td>11/06/03</td>
<td>Insurance Companies and Pension Funds</td>
<td>Burton 18-19</td>
<td>Chapter 18-19 Questions</td>
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<td>11/13/03</td>
<td>Securities Firms and Mutual Funds</td>
<td>Burton 20</td>
<td>Chapter 20 Questions</td>
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<td>11/20/03</td>
<td>Futures and Forward Options</td>
<td>Burton 22</td>
<td>Chapter 22 Questions <strong>Securities Firm Report</strong></td>
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<td>12/04/03</td>
<td>Examination #2</td>
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<td><strong>Note: 11/27/03 Holiday</strong></td>
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**Student Point Scoring Sheet**  
BSM 477

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* An extra credit assignment may be provided at the end of the course to assist students in achieving their expected goals for the course. The professor will discuss this with students near the end of the semester.

Grades will be assigned as follows:

- **A** 94% - 100% 470-500 Points
- **A-** 90% - 93% 450-469
- **B+** 87% - 89% 435-449
- **B** 83% - 86% 415-434
- **B-** 80% - 82% 400-414
- **C+** 77% - 79% 385-399
- **C** 73% - 76% 365-384
- **C-** 70% - 72% 350-364
- **D+** 67% - 69% 335-349
- **D** 63% - 66% 315-334
- **D-** 60% - 62% 300-314
- **F** Below 60% 001-299