



School of Business

COURSE OUTLINE FOR: SECURITY FUNDAMENTALS

FMGT4620

TAUGHT BY: School of Business
Program: Financial Management

TAUGHT TO:
 Professional Accounting, Taxation, MicroFinancial

Hours/Week:	Total Hours: 27	Term/Level: 4a
Lecture: 2		
Lab: 1		
Other:	Total Weeks: 9	Credits: 2.5

Instructor: **Carol Edwards**
 Assistant Instructor: **Robin Dalziel**
 Office No. SE6-379/SE6-319
 Office Hours: As posted

Phone: 451-6751
 451-6937
 Fax: 439-6700

Pre-requisites: Introductory Accounting (FMGT 2100 or 2105)

Course Description and Goals:

This course is designed to convey the nature and function of capital markets, the important features of the instruments which trade in these markets and the factors which contribute to the value of securities. A discussion of derivative instruments and mutual funds will conclude the course.

Evaluation:

Final Examination	40	%
Midterm	40	%
Assignment	20	%
Total	100	%




Course Learning Outcome

At the end of this course, the student will be able to:

- Discuss the structure of capital markets and their function within the Canadian economy.
- Describe the purpose of investments and appreciate their risks and rewards.
- Explain the workings and mechanics of a stock exchange.
- Identify sources of information on the performance of publicly traded companies.
- Discuss the business cycle, inflation, interest rates, fiscal policy and monetary policy in the context of Canadian capital markets.
- Understand the nature of marketable securities and the factors which influence their price.
- Discuss the various methods employed to evaluate the worth of a marketable security.
- Describe the nature of derivatives markets and describe the principal options.
- Describe the nature of mutual funds in terms of their advantages, disadvantages and performance.

Course Record:

Developed by:	<u>Carol Edwards</u>	Date:	<u>9-Jan-01</u>
	Instructor		
Approved by:	<u></u>	Date:	<u>12/1/01</u>
	Associate Dean (signature)		

Text(s) and Equipment

Required: None

Course Notes (Policies and Procedures)

- **Assignments:** Late assignments or projects will not be accepted for marking. Assignments must be done on an individual basis unless otherwise specified by the instructor.
- **Attendance:** The attendance policy as outlined in the current BCIT Calendar will be enforced.
- **Course Outline Changes:** The material specified in this course outline may be changed by the instructor. If changes are required, they will be announced in class.
- **Ethics:** BCIT assumes that all students attending the Institute will follow a high standard of ethics. Incidents of cheating or plagiarism may, therefore, result in a grade of zero for the assignment, quiz, test, exam, or project for all parties involved and/or expulsion from the course.
- **Illness:** A doctor's note is required for any illness causing you to miss assignments, quizzes, tests, projects or exams. At the discretion of the instructor, you may complete the work missed or have the work prorated (i.e. an average is given according to your performance throughout the course).
- **Makeup Tests, Exams or Quizzes:** There will be no makeup tests, exams or quizzes. If you miss a test, exam or quiz, you will receive zero marks. Exceptions may be made for documented medical reasons or extenuating circumstances.
- **Labs:** Lab attendance is mandatory.

**Assignment:**

You will be required to create and manage a portfolio of securities through the Virtual Stock Exchange. A weekly report will be required which outlines the trading activity in your portfolio and shows the status of your portfolio. See the lab handout for details.

**** Schedule for Security Fundamentals ****

(This schedule is subject to change at the discretion of the instructor.)

Week of	Material to be Covered
Jan. 1st	Introduction to Capital Markets
Jan. 8 th	Economic analysis
Jan. 15 th	Fixed Income Securities -- Bonds
Jan. 22 nd	Equities – Preferred stock
Jan. 29 th	Review and Midterm
Feb. 5 th	Equities – Common Stock
Feb. 12 th	Derivatives
Feb. 19 th	Mutual Funds
Feb. 26 th	Final Exam Review
Mar. 5 th	Final Exam Week

SECURITY FUNDAMENTALS ASSIGNMENT

Your assignment involves creating and managing a virtual portfolio of shares on the Virtual Stock Exchange.

The address of the Virtual Stock Exchange is:

<http://www.virtualstockexchange.com>

BCIT RULES

Form groups of 2 – 5 students, give your group an imaginative (but short) name, and run your portfolio as a team.

To create a portfolio for your team, you must register your group name as the **USERNAME**.

How to Register:

- **One** member of your group should open Netscape and go to the Virtual Stock Exchange.
- **Register** your group. Do this by submitting your group's username and password to get **one** account for your group. Use the e-mail address and personal details (first and last name, etc.) of **one** of your group members.

Do **not** create an account for each member of your group.

Do **not** create any other accounts in the BCIT competition. Please, if you wish to run additional portfolios on the Virtual Stock Exchange – for fun, to learn more, for profit, for prizes or for whatever – create your own competition or join someone else's!

- Your account is now created. You should be e-mailed the details of your account, which will include \$500,000 worth of cash, which you are free to invest in any securities you please, provided you meet the rules we will set in the course labs.
- **Log-in** to the Virtual Stock Exchange.

Make sure each group member knows the Username for your account and the password, so that s/he can also log-in to the account and do his/her share of the trading in the portfolio.

- Once you have logged in, click on “Competitions”, which may be found in the black bar at the top of the screen.
- Enter the competition ID in the text box: **BCITCompetition** (no spaces!)
- Click on “Join” and then join BCIT’s competition by following the instructions on the screen. Note that the Username is your group’s name and that the competition’s password is: **FMGT4620**

Note also that the password is case sensitive.

- Once you are a member of the BCIT Competition, choose the option “Edit my profile”, which you will find near the top left side of the screen. **Please ensure that others can see your portfolio.** In other words, the yes option should be selected as shown below:

Let other members see my portfolio	<input checked="" type="radio"/> Yes <input type="radio"/> No
	Others will only be able to see your portfolio from the ranking page by clicking on <input type="checkbox"/> , but they can't modify it.

You may wish to ask another member of your lab to check your portfolio when they log-in their group and ensure that it is visible.

- Note that from the Edit Profile screen, which is always available when you first log-in, you may change your password. You may do this any time you wish.
- You should now explore the Virtual Stock Exchange. For example, by clicking on **my: home** in the black bar and then “Competition Summary” and then “Rules”, you can check out such items as duration of the competition, the types of trades you can make, commission costs, interest rates received on cash held in your account and the cost to you of borrowing money. (Yes, you can borrow money to try to magnify your investment winnings. But note that borrowing – also known as leverage or margining your position – is a two edged sword. If your investment decisions are poor, you will also magnify your losses!)

You must submit the name of your group, the names and set numbers of your group members and a brief description of your objectives to me by Friday, January 12th. Use the form supplied in your lab.

You will be providing me with weekly reports detailing which trades were completed by each member of your group. Keep a record of your trading activities on the form which will be loaded on the ShareOut drive.

When you first log-in, you can compare your performance against an existing all cash portfolio, with the USERNAME of **BCITCash**. Click in **my:home** and then scroll down the screen until you find the section labelled "Member Center". Type the Username into the text box and click on "Go".

This cash portfolio was set to a value of \$500,000 on Tuesday, January 2nd. It will function as one of the bench marks against which your performance can be measured. Try to beat the performance of this portfolio!

As it started collecting interest as soon as it was created, to avoid falling behind on collecting returns, you may wish to create your group and your group's portfolio ASAP! Get your cash now and wait until the first trades are required in the labs – or, if you wish, and you're feeling daring, start trading immediately!

After I have a complete list of groups, I will distribute all of the USERNAMES so that you may compare how your portfolio ranks against those of your classmates and against the benchmark portfolio. Use the same procedure as you use for the cash portfolio to see the portfolios of other users.

You may wish to challenge other groups – feel free to have fun as long as you stay within the rules set out in the labs for the BCIT competition.

We will spend the labs discussing your portfolios. Bring your ideas, suggestions and questions. In addition, be prepared to hand-in a **current** print-out of your portfolio and a copy of your trading record at each lab. Please note that the trading record **must be typed** on the computerized form which you will download from the ShareOut drive. If you need further information or assistance, please see me in my office during office hours.

The e-mail option is for your personal use. Please feel free to use it to communicate with other members of your class. If you have an interesting idea, consider sharing it with others. Do **not** e-mail me – I will **not** be checking this option and have switched it off on my profile. Please speak to me in the labs or come to my office.

Note that the log-in screen has a message which reads: **Forgot your password? Click Here**. If you forget your password, please use this facility to retrieve it – do **not** contact me.

This assignment is worth 20% of your mark, with the mark primarily based on the trading record sheets which you will complete.

If you really enjoy what you're doing and have special skills you feel you can offer, note that you can apply to work for Virtual Stock Exchange. Check out the job listings for the site under **infor/help**!

SECURITY FUNDAMENTALS ASSIGNMENT

 Please Print Neatly

GROUP NAME: _____

GROUP MEMBERS (2 to 5 students per group)

	NAME (Last name, then first)	SET
1.		
2.		
3.		
4.		
5.		

PORTFOLIO OBJECTIVES (Choose one of the options)

- ☐ Speculative (wild, crazy and risky – gamble on potential big gains, but risk huge losses)
- ☐ Day Trading (high risk / high return strategy – beat the cash portfolio by a wide margin)
- ☐ Aggressive (high risk / high return strategy – beat the cash portfolio by a wide margin)
- ☐ Conservative (moderate risk / moderate return strategy – beat the cash portfolio by at least 2%)

SECURITIES FUNDAMENTALS TRADING FORM

(Except for the trader's initials, this form is to be completed on a computer)

Group Name: The Investment Turkeys

Week of: January 18 – 22

Date of Trade (DD/MM)	Action ¹	Quantity	Company Name	Reason for trade (approximately 50 words)	Person who recommended the trade (last name)	Initials (in pen)
18/01	Buy	1000	Great Expectations Inc.	The new product line, multi-level pencils, looks like it will be extremely successful. I expect sales and profits for this company to double over the coming year, with a potential to quadruple sales over the coming 5 years.	Smith	
19/01	Short	200	Tree-Ex Ltd.	Recent allegations of fraud on the part of the management with respect to the amount of timber they actually have in inventory have already hurt the value of the company's shares. I believe there will be further negative news as the FBI continues its investigation, and I am shorting the shares because I expect the value of the shares will fall significantly over the coming weeks.	Doe	
22/01	Buy	300	Dumbo Inc.	The new line-up of films for Dumbo Inc. looks like it will produce a series of blockbusters! I am excited by the company's prospects.	Smith	

¹ The actions you may take are: Buy, Margin Purchase, Sell or Short Sale. Please complete all of the columns.