

**THE UNIVERSITY OF MICHIGAN  
SCHOOL OF BUSINESS ADMINISTRATION**

**FINANCE 610: INVESTMENTS**

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Office Hours: MW 2:00 -3:30  
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**COURSE OUTLINE**

**OBJECTIVE**

This course uses both the lecture and the case method of instruction to develop a practical understanding of some of the more important financial instruments and markets. Security valuation and management of investment strategies are major themes present through out the course. A fundamental objective of the course is to enable students to gain a robust familiarity with approaches (such as security replication and arbitrage free pricing), that can be adapted to the analysis of broad classes of financial assets and markets. Such skills are indispensable to investment analysis in an economic environment characterized by an unprecedented amount of financial innovation, both in the creation of new securities and in the development and evolution of financial institutions.

The lectures, supplemented by notes, examples and assignments are intended to familiarize students with the basic quantitative techniques and institutional details necessary for investment decision making. Careful quantitative analysis is essential but not sufficient, however, to decision making in a multi-faceted and changing business environment. This is where the cases come in. They require not only technical pricing skills, but also require consideration of the competitive environment, the myriad of alternative securities that may be available to the decision maker and other management and marketing issues.

**Required Material**

*Investments* (3rd edition) by Bodie, Kane and Marcus

*Course Packet*

## Case Analysis

Groups You are expected to form groups of four or five members. You can choose your own groups.

- In order to deal fairly with evaluation problems (as well as reduce the free-rider problem), every group member will be **required** to submit a participation grade for every other member at the end of the semester. The grades given to each member of the group -- you do not grade yourself -- should add up to 100.

Group Case Analysis Six written case analyses are required from each group -- the first and last case are for all groups. For the rest, groups are required to submit analyses for alternate cases. The written case report is due at the beginning of the assigned class period. *No late submissions will be accepted.* The analysis should consist of specific and concise responses to the case questions, supported by tables or quantitative analysis as required. The overall report, not including supporting tables, should not generally exceed 2-3 pages (typed, double space).

Class Participation You may expect to be called upon at random (and with some degree of regularity) either individually or as members of a group.

## Assignments and Exams

There will be a final exam to be held in the finals week. In addition there will be four assignments that are to be done on an individual basis. The assignments will be evaluated on the basis of :  
(a) completeness *i.e.*, the extent of the assignment attempted (b) the quality/correctness of the answers to one or more of the assigned problems. The problems chosen for grading will be randomly chosen from among the assigned problems.

## Course Grade

Your grade will be determined according to the following weighting scheme:

<b>Class Participation</b>	<b>25%</b>
<b>Case Reports</b>	<b>45%</b>
<b>Final Exam</b>	<b>20%</b>
<b>Assignments</b>	<b>10%</b>

