

MEMO

To: Steven Lamb, Chair of Analytical Department

From: Tarek Zaher, Finance Program Coordinator

Subject: Finance Major Assessment

Date: June 3, 2009

I am attaching electronic copy of the Finance Major Assessment plan and the assessment results for student learning objectives 1 through 6. Objectives 1 and 2 were assessed in Fina 434 in Fall 2008, learning objective 3 was assessed in fina 435 in Spring 2009, and learning objectives 4, 5 and 6 were assessed in Fina 440 in Fall 2008. Learning objectives 7, 8 and 9 will be assessed in fina 471 in spring 2011. The assessment plan and assessment results were also posted on blackboard in the finance program assessment file.

INDIANA STATE UNIVERSITY

SCHOOL BUSINESS

ANALYTICAL DEPARTMENT

**PROGRESS REPORT
STUDENT OUTCOMES ASSESSMENT PLAN
FINANCE PROGRAM**

May 31, 2009

STUDENT OUTCOMES ASSESSMENT PLAN FOR FINANCE PROGRAM

A. Program Objective and Competencies

Graduates of the finance program should be able to demonstrate good understanding of the professional competencies required to manage the financial aspects of a business. They will develop skills required to ethically manage the business and maximize the value of the firm to the shareholders and achieve superior satisfaction and development for themselves and their employees. The program will prepare students for careers in the three areas of finance: investment, business finance and financial markets and institutions. Students will learn how to utilize financial techniques and other analytical tools in their decision making process as financial managers in financial or non financial institutions and as broker, portfolio managers and security analysts in investment firms upon completion of the program Finance major's graduates should acquire the following learning outcomes:

1. Understand the basic investment principles and know how to access and analyze financial data for investment purposes
2. Know how to construct, manage and evaluate investment portfolios.
3. Know how to use financial derivatives to hedge against investment's risks in local and international markets.
4. Understand the operations of financial markets and financial institutions highlighting current issues and regulatory aspects.
5. Understand the role of Federal Reserve System (FRS) in conducting the monetary policy, the tools employed by the Fed to achieve its goals.
6. Know the different financial instruments that are traded in the financial markets and how to determine the rates of return and the prices of these instruments. Know the factors that affect interest rates.
7. Identify financial problems and select the appropriate financial models for the exploration and the solution of the problems.
8. Apply economic analysis, forecasting, and other financial techniques in financial planning and analysis.
9. Evaluate and analyze the working capital and capital budgeting policies of an organization.

B. Mapping of learning outcomes into required courses

Learning outcomes 1, 2 and 3 will be accomplished in fin 333, fin 434, and fin 435

Learning outcomes 4, 5 and 6 will be accomplished in fin 440

Learning outcomes 7, 8, and 9 will be accomplished in fin 471

C. Assessment method for learning objectives

Learning outcomes 1 and 2 will be assessed using an internet investment project in Fin 434 course.

Learning outcomes 3 assessed using a project in Fin 435 course.

Learning objectives 4, 5 and 6 will be assessed using class project and a test in fina 440

Learning outcomes 7, 8 and 9 will be assessed using a case study in fina 471

Assessment of Student Learning Outcomes for Finance Program

Learning objectives Assessed:

1. Students understand the basic investment principles and know how to access and analyze financial data for investment purposes.
2. Students Know how to construct, manage and evaluate investment portfolios

Assessment Method

The two Learning objectives were assessed using an Investment management project in the investment management course fina 434 in fall 2008.

Mapping Learning objectives into project:

1. Each student will first, constructs a policy statement in which he (she) specifies his (her) investment objective in terms of risk and return. The student states his (her) return objectives in terms of an absolute or relative percentage return, or in terms of a general goal, such as capital appreciation, capital preservation, current income or total return. The student also specifies the types of risks he (she) is willing to take.
2. In the second step of the exercise the student studies the financial and economic conditions then determines his (her) investment strategy.
3. In the third step of the portfolio management process the student constructs his (her) portfolio. The student decides on what asset classes to consider for investment, the weights to assign to each asset class, and the specific securities to purchase for the portfolio. The students then perform portfolio analysis to ensure that the asset allocation process is consistent with the objectives stated in his (her) policy statements.
4. The fourth step in the portfolio management process is the monitoring and updating of the investment needs and market conditions. A major component of the monitoring process is evaluation of the portfolio performance and comparing the results to the expectations listed in the policy statement.

Levels of performance will be determined as follows:

A. *Superior performance:*

The student clearly specifies and discusses the four steps in the investment management process stated above: Defines the investment objective in the policy statement, determines his investment strategy, allocate the assets and monitor and evaluate the portfolio performance. The students ensure that his investment decisions are consistent with his (her objectives).

B. *Satisfactory performance:*

The student follows the four steps in the investment management process but did not give clear explanation and justification to defend his (her) investment decisions.

C. *Developing performance*\

The student report indicates some but not sufficient understanding of the investment management process.

D. *Deficient Performance*

The student clearly demonstrates lack of understanding of the investment management process in his (her) report.

Assessment Results:

14 students were assessed: 7 were Superior and, 7 Satisfactory.

Assessment of Student Learning Outcomes for Finance Program

Learning objective(s) Assessed:

Know how to use financial derivatives to hedge against investment's risks in local and international markets.

Assessment Method

The Learning objective number 3 was assessed using an Investment management project in the speculative market fina 435 in spring 2009.

Mapping Learning objectives into project:

Each student is asked to work on an investment project. The project is basically a portfolio management exercise. The student first states his (her) return objectives in terms of an absolute or relative percentage return, or in terms of a general goal and specifies the types of risks he (she) is willing to take. The student then constructs his (her) portfolio of securities. The student decides on what asset classes to consider for investment, the weights to assign to each asset class, and the specific securities to purchase for the portfolio. A major component of the project is the risk management process. Students are expected to demonstrate how to use derivatives to hedge their portfolio.

Levels of performance will be determined as follows:

E. *Superior performance:*

The student clearly states how he (she) used derivatives in hedging risk as part of the portfolio management process. The student also discusses the hedging strategies he/she adopted and the securities used in achieving this objective.

F. *Satisfactory performance:*

The student follows the four steps in the investment management process but did not give clear explanation and justification to defend his (her) investment decisions.

G. *Developing performance*

The student report indicates some but not sufficient understanding of how to use derivatives in hedging risk..

H. *Deficient Performance*

The student demonstrates lack of understanding of how derivatives are used to hedge risk and mixes up the use of derivatives as a speculative tool.

Assessment Results:

13 students were assessed: 8 Superior, 1 Satisfactory, 3 developing and 1 defcient

Assessment of Student Learning Outcomes

A. Learning Objectives assessed

1. Understand the operations of financial markets and financial institutions highlighting current issues and regulatory aspects.
2. The role of Federal Reserve System (FRS) in conducting the monetary policy, the tools employed by the Fed to achieve its goals.
3. Know the different financial instruments that are traded in the financial markets and how to determine the rates of return and the prices of these instruments. Know the factors that affect interest rates.

B. Assessment Method for Learning Objectives:

Assessment was administered in FIN 440. Students' knowledge was assessed based on three (3) examinations given during the semester and a group project. The project is titled "Analyzing the Performance of a Financial Intermediary". The objective of this project is to familiarize students with the financial statements of financial intermediary (FI) and the financial ratios are used to analyze their performance. Students are asked to obtain from the recent annual reports for a number of financial institutions and perform analysis either as time series or as cross section basis. From the collected financial statements (B/S and I/S). Students identify data, which are then used to compute a number of important financial ratios used and analyze the financial performance of the institutions. Students present the important findings as group during the last week of the semester and submit a detailed group report.

C. Mapping Learning Objectives into Course Requirements:

As outlined in Section B.

Q. Depository institutions include: (LO 1)

- A. Banks
- B. Thrifts
- C. Finance companies
- D. All of the above
- E. A and B only

Q. Which of the following are money market instruments? (LO 3)

- A. Negotiable CDs
- B. Common stock
- C. T-bonds
- D. 4 year maturity corporate bond
- E. A, B and C are money market instruments

Q. A 6 year annual payment corporate bond has a market price of \$1050. It pays annual interest of \$100 and its required rate of return is 9%. By how much is the bond mispriced? **(LO 3)**

- A. \$0.00
- B. Overpriced by \$5.14
- C. Underpriced by \$5.14
- D. Overpriced by \$11.32
- E. Underpriced by \$11.32

Q. An annual payment bond has a 6% required return. Interest rates are projected to rise 25 basis points. The bond's duration is 5 years. What is the predicted price change? **(LO 3)**

- A. -1.18%
- B. 4.71%
- C. 1.25%
- D. -1.25%
- E. 1.18%

Q. The primary policy tool used by the Fed to meet its monetary policy goals is: **(LO 2)**

- A. Changing the discount rate
- B. Changing reserve requirements
- C. Devaluing the currency
- D. Changing bank regulations
- E. Open market operations

Q. Which of the following is the major monetary policy making body of the U.S. FRS? **(LO 2)**

- A. FOMC
- B. OCC
- C. FRB bank presidents
- D. U.S. Congress
- E. Group of ten

Q. A decrease in reserve requirements could lead to a (n) **(LO 2)**

- A. Increase in bank lending
- B. Increase in the money supply
- C. An increase in the discount rate
- D. Both A and B
- E. Both A and C

Q. If a \$10,000 par T-Bill has a 4.5% discount quote and a 180 day maturity, what is the price of the T-Bill? **(LO 1)**

- A. \$9,550
- B. \$9,525
- C. \$9,775
- D. \$9,675
- E. None of the above

Q. Key federal regulators of the banking industry include: **(LO 1)**

- A. Office of Comptroller of Currency
- B. Federal Deposit Insurance Corporation
- C. Federal Reserve System
- D. Office of Thrift Supervision
- E. Only A, B, and C

Q. A bank raises the interest rate from 3% to 4% on \$100,000 of its 6 month CD liabilities that are currently maturing. Assuming no change in volume of deposits, pre-tax net income would **(LO 3)**

- A. Rise by \$1000
- B. Fall by \$1000
- C. Be unchanged
- D. Rise or fall but can't tell by how much

Q. The Glass-Steagall Act came about due to concerns about excessive risk taking at banks and conflicts of interest between commercial and investment banking activities. **(LO 2)**

True/False

Q. FDIC deposit insurance is limited to _____ per depositor per bank. **(LO 1)**

- A. \$50,000
- B. \$100,000
- C. \$150,000
- D. \$200,000
- E. \$250,000

Q. Which act has led to interstate banking in the U.S.? **(LO1)**

- A. Glass-Steagall Act
- B. DIDMCA
- C. McFadden Act

- D. Riegle-Neal Act
- E. Financial Services Modernization Act

Q. Disintermediation refers to **(LO 1)**

- A. Taking money out of depository institutions
- B. Putting money in depository institutions
- C. A negative net interest margin
- D. Making disparaging remarks about banks and thrifts

Q.A bank charges a commercial borrower an 11% interest rate on a one year loan. The bank also charges a 0.5% origination fee and requires compensating balances of 8% in the form of demand deposits. What is the promised gross rate of return on the loan? **(LO 3)**

- A. 11.45%
- B. 12.39%
- C. 12.10%
- D. 11.67%
- E. 11.05%

Fall 2008.

Overall Results.**

	% SU	% SA	% DEV	% DEF	TOTAL
*LO 1,2 &3	33.33	33.33	22.22	11.12	100%
PROJECT	11.12	66.67	22.22	0	100%
Weighted Avg	27.78	41.67	22.22	8.33	100%

*15 questions from Test 1, 2 & 3

LO's from T1,T2 &T3, carries 75% weight

Project carries 25% weight

Breakdown of the Overall Results.

Correct Response LO1(6)		%
5+	SU	11.11
4	SA	55.56
3	DEV	33.33
<3	DEF	0

Correct Response LO2(4)		%
4+	SU	55.56
3	SA	33.33
2	DEV	11.11
<2	DEF	0

Correct Response LO3(5)		%
4+	SU	44.45
3	SA	22.22
2	DEV	33.33
<2	DEF	0

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Overall (LO1,LO2 &LO3)		
Correct Response LO's(15)		%
12+	SU	33.33
10~12	SA	33.33
9	DEV	22.22
<9	DEF	11.11

Project		%
92+	SU	11.12
90~91	SA	66.67
89~86	DEV	22.22
<86	DEF	0

PROJECT

A.Superior (SU):

The student/s report demonstrate a clear understanding of the Financial Statements (B/S and I/S) of the Financial Institutions ((FI's), identifies the data they use to compute a number of important financial ratios. Student/s presents the important findings analyzing their performance, provide graphs to illustrate comparisons/changes. Also details strategic plan, geographic diversification in terms of exposure to regional economic problems and stock performance of their FI's.

B.Satisfactory (SA):

The student/s report demonstrate understanding of the Financial Statements (B/S and I/S) of the Financial Institutions ((FI's), identifies the data to compute a number of important financial ratios to analyze their performance. Student/s presents the findings, but did not give clear explanation what information the computed ratios convey, provide graphs to illustrate comparisons/ changes. Also presents the strategic plan, geographic diversification and stock performance of their FI's.

C.Developing (DEV):

The student/s report indicates some but not sufficient understanding on the annalysis of FI's performance.

D.Deficient (DEF):

The student/s report clearly demonstrates lack of understanding on the annalysis of FI's performance.