

Fall 2008
Assessment of Student Learning Outcomes

FIN 440: Financial Institutions.

A. Learning Goals (Objectives)—Student Will:

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 Goals (Objectives):

1. Students' knowledge will be assessed based on three (3) examinations given during the semester.
2. Students will be assessed using class group project 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 Goals (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%

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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.