Assessment of Student Learning Outcomes

FIN 320: Introduction to Financial Services Institutions.

A. Learning Objectives—Student Will:

1. Differentiate among financial institutions and the products and services they provide.

2. Know how to use time value of money calculations to make financial decisions.

3. Understand and be able to explain how financial institutions manage their capital structure.

B. Assessment Method for Learning Objectives:

1. Students' knowledge will be assessed based on class examinations.

2. Students will be given financial statements of several different types of financial services institutions and asked to analyze the capital structure and evaluate the institutions' exposure to financial risk.

C. Mapping Learning Objectives into Course Requirements

1. Students in FIN 320 will demonstrate their understanding of the differences among financial services institutions and the products and services they offer by performing well on objective examinations.

2. Students in FIN 320 will demonstrate their understanding of time value concepts by completing exercises and answering objective questions that require decisions involving present and future values of lump sum and periodic cash flows.

3. Students in FIN 320 will demonstrate their understanding of how financial institutions manage risks inherent in the institution's capital structure by performing well on objective and essay examinations

LEARNING OBJECTIVE ONE: Institutions, Products and Services

Q.: Match the intermediary with the characteristic that best describes its function.

I. Provide protection from adverse events
II. Pool funds of small savers and invest in either money or capital markets
III. Provide consumer loans and real estate loans funded by deposits
IV. Accumulate and transfer wealth from work period to retirement period
V. Underwrite and trade securities and provide brokerage services

1. Thrifts
2. Insurers
3. Pension funds
4. Securities firms and investment banks
5. Mutual funds

A) 1, 3, 2, 5, 4
B) 4, 2, 3, 5, 1
C) 2, 5, 1, 3, 4
D) 2, 4, 5, 3, 1
E) 5, 1, 3, 2, 4

Q.: What factors are encouraging financial institutions to offer overlapping financial services such as banking, investment banking, brokerage, insurance, etc?

I. Regulatory changes allowing institutions to offer more services
II. Technological improvements reducing the cost of providing financial services
III. Increasing competition from full service global financial institutions
IV. Reduction in the need to manage risk at financial institutions

A) I only
B) II and III only
C) I, II and III only
D) I, II and IV only
E) I, II, III and IV

Q.: The advantage(s) of putting your money in a bank deposit instead of directly buying capital market securities typically include

A) Delegated monitoring
B) Better liquidity
C) Less price risk
D) All of the above
E) None of the above

Q.: Many households place funds with financial intermediaries (FIs) because many FI accounts provide

A) Lower denominations than money market securities
B) Better liquidity and less price risk than direct securities
C) Shorter maturities than direct securities
D) All of the above
E) None of the above

Q.: Classify the following numbered accounts under the correct category letter:

A. Asset	B. Liability	C. Equity	D. Revenue	E. Expense	F. OBS
________	________	________	________	________	________
________	________	________	________	________	________
________	________	________	________	________	________
________	________	________	________	________	________
________	________	________	________	________	________

1. Retail CDs
2. Standby letter of Credit
3. Loan Commitment Fee
4. Commercial & Industrial Loan
5. Mortgage
6. Surplus and Paid-In Capital
7. Interest Paid on Fed Funds and Repo’s

LEARNING OBJECTIVE TWO: Time Value Exercise

Q.: Students are given the following scenario and asked to make a decision based on their calculation of a necessary hurdle rate of return.

An employee changes employers at age 35. She has earned a vested pension in her prior company's defined benefit pension. She has the option to rollover the present value of the pension to a self-directed Individual Retirement Account when she reaches normal retirement age 65, or remain in the prior employer's plan and receive the promised benefit as a life annuity. Answer the following questions based on the information provided.

Current age:	35
Retirement age:	65
Assumed life expectancy at retirement:	9 years
Monthly pension benefit at retirement:	$4,000
Value of lump sum rollover at age 65:	$310,330.19

A. What annual rate of investment earnings is being assumed by the defined benefit pension plan?

B. What factors should she consider in deciding whether to roll over the vested benefit at her age 65, or receive a monthly life annuity at age 65?

Q.: Upon graduating from college this year you expect to earn $25,000 per year. If you get your MBA, in one year you can expect to start at $35,000 per year. Over the year, inflation is expected to be 5%. In today's dollars, how much additional (less) money will you make from getting your MBA (to the nearest dollar) in your first year?

A) -$2,462
B) $8,333
C) $8,750
D) $9,524
E) $10,000

Q.: Investment "A" pays 8% simple interest for 10 years. Investment "B" pays 7.75% interest for 10 years. Both require an initial $10,000 investment. The future value of <u>A minus</u> the future value of <u>B</u> is equal to _____ (to the nearest penny).

A) $2,500.00
B) -$2,500.00
C) $1,643.32
D) $3,094.67
E) -$3,094.67

Q.: You buy a car for $19,000. You agree to a 36 month loan with a monthly interest rate of 0.6%. What is your required monthly payment?

A) $634.24
B) $528.36
C) $605.54
D) $588.40
E) None of the above

Q.: You want to be a millionaire when you retire in 40 years. You believe you can earn 10% per year on your investment. How much must you put away each year to achieve your goal when you retire? (Ignore all taxes)

A) $3,345.67
B) $9.455.01
C) $2,259.41
D) $3,567.88
E) None of the above

LEARNING OBJECTIVE THREE: Managing Capital Structure

Q.: Shifting Sands National Bank (SSNB) has a return on assets (ROA) of 1.3% and total assets of $250 million. The total equity capital of SSNB is $12.5 million.

A. Calculate SSNB's return on equity (ROE)

B. SSNB's total equity capital is made up of $6 million of common equity, $4 million of non-maturing preferred stock, and $2.5 million of goodwill. The bank's risk-adjusted total assets equal $240 million.

C. What is SSNB's Tier I (core) capital ratio? Does this satisfy the minimum Tier I capital requirement of the Basel Accord?

Q.: Assume a bank with a capital-to-assets ratio of exactly 10 percent experiences the unexpected default of a loan that represents 2 percent of its assets. The borrower went into bankruptcy, and the loan is now judged worthless. Explain what would happen to the capital-to-assets ratio.

Q.: In October 1987 stock prices fell 22% in one day and bond rates fell also. Use the *loanable funds theory* to explain what happened.

Q.: To be classified as an adequately capitalized bank, the bank must have a leverage ratio of at least _____%, Tier I capital to risk adjusted asset ratio of at least _____ % and a total risk based capital ratio of at least _____ % and does not meet the definition of a well capitalized bank.

A) 4; 4; 8
B) 5; 6; 10
C) 3; 3; 8
D) 4; 8; 4
E) 4; 6; 10

Q.: A bank that has an equity to asset ratio equal to 12% can normally lend no more than _____ of its assets to any one borrower.

A) 1.20%
B) 1.00%
C) 12.00%
D) 1.50%
E) 2.40%

RESULTS

COURSE: FIN 320: Introduction to Financial Services
TERM: Fall 2008
CLASS SIZE: Ten Students Completed Class
SAMPLE SIZE: Five Questions

LEARNING OBJECTIVE ONE: Institutions, Products and Services

Learning Goal	Knowledge or Skill	Superior (SU)	Satisfactory (SA)	Developing (DEV)	Deficit (DEF)
Business Practices	Knowledge of institutional products and services	Correctly Answers All Objective Questions	Correctly Answers At Least 80% Of All Objective Questions	Correctly Answers At Least 60% Of All Objective Questions	Correctly Answers Fewer Than 60% Of All Objective Questions

Performance Level	Number of Correct Responses	Percent of Correct Responses
SU	5	20%
SA	4	60%
DEV	3	20%
DEF	<3	0%

COURSE:	FIN 320: Introduction to Financial Services
TERM:	Fall 2007
CLASS SIZE:	Ten Students Completed Class
SAMPLE SIZE:	Five Questions

LEARNING OBJECTIVE TWO: Time Value Exercise

Learning Goal	Knowledge or Skill	Superior (SU)	Satisfactory (SA)	Developing (DEV)	Deficit (DEF)
Business Practices	**Knowledge of institutional products and services**	**Correctly Answers All Objective Questions**	**Correctly Answers At Least 80% Of All Objective Questions**	**Correctly Answers At Least 60% Of All Objective Questions**	**Correctly Answers Fewer Than 60% Of All Objective Questions**

Performance Level	Number of Correct Responses	Percent of Correct Responses
SU	5	60%
SA	4	30%
DEV	3	10%
DEF	<3	0%

COURSE:	FIN 320: Introduction to Financial Services
TERM:	Fall 2007
CLASS SIZE:	Ten Students Completed Class
SAMPLE SIZE:	Five Questions

LEARNING OBJECTIVE THREE: Managing Capital Structure

Learning Goal	Knowledge or Skill	Superior (SU)	Satisfactory (SA)	Developing (DEV)	Deficit (DEF)
Business Practices	**Knowledge of institutional products and services**	**Correctly Answers All Objective Questions**	**Correctly Answers At Least 80% Of All Objective Questions**	**Correctly Answers At Least 60% Of All Objective Questions**	**Correctly Answers Fewer Than 60% Of All Objective Questions**

Performance Level	Number of Correct Responses	Percent of Correct Responses
SU	3	30%
SA	5	50%
DEV	2	20%
DEF	<3	0%

SUMMARY

	%SU	%SA	%DEV	%DEF
LO 1, 2, 3:	36.7%	46.7%	16.7%	0.0%