

**Student Learning Outcomes Committee**  
**Department/Program Assessment Results Report**

Department/Program \_\_\_\_\_ BSBA \_\_\_\_\_ Degree \_\_\_\_\_ Finance \_\_\_\_\_

Date Submitted \_\_\_\_\_ March 28, 2008 \_\_\_\_\_

The purpose of this report is to communicate the assessment activities that have taken place during the last academic year, as well as to convey how the results are being used *to improve student learning at the program level*. The report should be kept as succinct as is possible, while answering the following questions clearly and conscientiously:

**I. Working from your assessment report of last year, please discuss some changes made or strategies implemented in response to last year's results.**

In last year's report we indicated that: The Finance Department will undertake a review of the 'corporate finance' course sequence: Finance 323, Finance 325, and Finance 423 in Spring and Fall 2007 to address the issues associated with 'unstructured problem-solving skills'. The Department has concluded that we will have to focus on the content and organization of Finance 325 since this course is taken by Finance majors only (whereas Finance 323 is a core CBA course with only about 25% of the students here who will be finance majors). We have had a first meeting on this issue on March 14, Spring 2008 (see V below).

**II. Drawing upon the goals and objectives contained in the department/program student learning assessment plan, what was the focus of the department's student learning assessment for the past academic year?**

- A. This section should list the student learning goals and objectives that were the focus for the report year (selected from your complete set of goals and objectives).
- B. It would also be helpful to note here the student learning goals and objectives that you intend to assess during the next year.
- C. The complete set of department/program objectives is attached to the back of the report Appendix 2.
- D. *Goals & SLOs evaluated in AY 2007-08:*  
**Goal 1: Assess a firm's financial condition**  
SLOs:  
Create and interpret financial statements  
Create and interpret cash flow statements  
**Goal 4: Learn security analysis and portfolio management**  
SLOs:  
Apply models for Pricing stocks, bonds, and derivative instruments  
Construct optimal portfolios  
Design hedging strategies to manage market risks (e.g., currency, commodity, economic and political)
- E. The time line indicating when each goal and objective will be assessed is attached to the back of the report Appendix 1. As per the information in Appendix 1, in the upcoming year the following goal and its corresponding student learning outcomes will be assessed:

**GOAL 5: Evaluate the economic, legal, regulatory, and industry environment, domestic and international, in which firms operate**

Learning Outcomes:

- Perform Competitive and Comparative Analyses of industries

- Describe Global capital markets

### III. What information was collected, how much, and by whom?

- A. This section should briefly describe the methodology used to examine the targeted goals and objectives. Please attach relevant scoring rubrics, surveys, or other materials used to examine student learning to the back of the report, as Appendices.
- B. Please note that the expectation here is that programs will make use of *direct* measures of student learning outcomes.

#### Finance 423: Financial Analysis and Management (Professor Pieter Vandenberg)

##### Goal 1

- Create and interpret financial statements
- Create and interpret cash flow statements

The methodology of the class is that part of their work, grade wise about 40%, is determined by group work. So that each group does 4 comprehensive case analyses and which consists of 3 oral presentations, along with three written presentations. On an individual basis each student writes a dozen papers with a suggested solution methodology for each case.

The first case is an IPO issue and students are required to look at historical financial data, including partial financial statements. The first fundamental is to create/forecast financial statement for the last complete year. From there the next task is to forecast these statements into the future and from those to derive a forecast of cash flows, in particular free cash flow.

Their performance on this case is relatively poor. They really have had enough finance to be able to do what is required. What they seem to lack is the ability to transfer the concepts of finance to the solution of problems.

We go over their solutions in class (there are 8 teams each with a solution) and then I talk about my approach to the solution. After this initial case we complete 14 more cases, I usually spend a week on each case. We start with two formal presentations by two teams for each case, followed by class discussion (each student has to write a suggested solution methodology for each case) and then a discussion of the issues by me.

Grading rubric:

Solution papers: The solution paper should simply explain how one should go about solving the case, step by step. The solution paper should skip background details and deal only with recommendation procedures for financial decisions to be made in the case. Thus evaluation depends on quality of recommended procedural steps to ‘solve’ the case problem.

Group case analysis: Quality of detailed financial analysis; quality of written and PowerPoint presentation and finally oral presentation to class of the detailed analysis.

#### Finance 421: Security Analysis and Portfolio Management (Professor Stefano Gubellini)

##### Goal 4

“Apply models for pricing stocks, bonds, and derivatives instruments”.

In the framework offered by a single-index asset pricing model, the required identification of systematic and non-systematic risk allows for a performance comparison among alternative funds. The students were evaluated on a problem given as part of a graded assignment. The means score of the class is 77% of the total possible score and pretty representative of most of the students. The mean score is judged to be reflecting an acceptable understanding of the SLO. Overall, the class shows an acceptable level of proficiency in

calculating the different sources of risk and in evaluating their sensitivity to the diversification principle.

“Construct optimal portfolios “.

Starting from a set of basic asset classes, the students are asked to construct the attainable portfolios and to calculate the related main parameters (mean, standard deviation, minimum risk and tangency portfolio, among others). Finally they are asked to identify the optimal portfolio combination of the different asset classes, given the investor preferences. The students were evaluated on a problem given as part of a graded assignment. The overall performance of the class is satisfactory: the mean score is 86%. The mean score is judged to be an acceptable understanding of the SLO. In particular the grade distribution shows a small variability attesting that the construction of optimal portfolios is a well received topic by the class in its entirety.

#### Finance 427: Derivatives and Financial Risk Management

##### Goal 4

“Apply models for pricing stocks, bonds, and derivative instruments.”

In the class, students are taught to use binomial and Black-Scholes Pricing for equity options. They are tested on their knowledge of this material on assignments and exams. The exam problem involves tracking pricing for a selected stock and its underlying option and using this data to build inputs for the Black-Scholes pricing model. Students are asked to price the option and also to compare it with the market prices at which the options actually trade. They provide a reasoning for discrepancies between market prices and model prices. About 95% of the class completed this assignment successfully. On exams, students are tested on whether they can price option using the binomial option pricing method. About 75% of the class performed above an acceptable level of proficiency on this question.

“Design hedging strategies to manage market risks.”

During the course, hedging strategies using both options and futures are discussed. They are then applied to situations involving commodities, interest rates and currencies. Several text questions pose situations in which the students are required to demonstrate exactly what type of hedge they would undertake, to provide the rationale for it and to discuss when the hedge may not function as designed. In one case, students are required (on an exam problem) to use stock-index futures to hedge against a portfolio position in equities. To the extent that the equity portfolio does not mirror the index being used as a hedge in the futures market, the hedge may not be a perfect one. About 70% of the students performed successfully on this portion of their evaluations. Given the complexity of the topic of ‘hedging and managing market risks’, the observed student performance is judged to be reflect an acceptable understanding of the SLO.

#### **IV. What conclusions were drawn on the basis of the information collected?**

This section should briefly describe the results (in summary form) in regard to how well students have met the targeted goals and objectives. For example, what percentage of students met the objectives? Is this a satisfactory level of performance? What areas need improvement?

Whenever it is possible to do so, please organize and present collected data by way of tables and/or graphs. [Note: the committee expects and welcomes both quantitative and qualitative data, so this suggestion should not be construed as seeking quantitative data only.]

### Finance 423

Thus by the end of the semester I have a significant amount of documentation on both individual performance and their ability to work as part of a team. I track the changes in performance and it is easy to see a significant level of improvement on both measures. I have done this over multiple semesters and basically see the same pattern. The common mistakes that I see early in their performance disappear and the rigor of the analysis that they apply to later cases is on average greatly improved, and in many cases is very good work.

Their ability to understand and use financial statements and cash flows statements has significantly improved and a large percentage (80% to 90% of the teams) meet what I would deem acceptable standards, something only about 10% to 20% of the teams could accomplish on the first day of class, in spite of considerable prior course work.

### Finance 421

Apply models for pricing stocks, bonds, and derivatives instruments.

“The means score of the class is 77% of the total possible score and pretty representative of most of the students”.

Construct optimal portfolios.

“The overall performance of the class is satisfactory: the mean score is 86%”.

### Finance 427

Apply models for pricing stocks, bonds, and derivative instruments.

“About 95% of the class completed this assignment successfully. On exams, students are tested on whether they can price option using the binomial option pricing method. About 75% of the class performed above an acceptable level of proficiency on this question”.

Design hedging strategies to manage market risks.

“About 70% of the students performed successfully on this portion of their evaluations”.

## **V. How will the information be used to inform decision-making, planning, and improvement?**

This section should describe the strategies that will be implemented for program improvement as a result of the conclusions drawn from the assessment activities.

The program change may pertain to curricular revision, faculty development, student services, resource management, and/or any other activity that connects to student success.

While the assessment of goals and SLOs in Finance 423, Finance 421, and Finance 427 has been satisfactory based on the data collected and reviewed, there were several concerns raised at the Finance Department’s Meeting on March 14, 2008 regarding Assessment Issues:

- pre-requisite preparation in Finance 423, 421, and 427. The department has scheduled another meeting in Spring 2008 that will examine the following course sequences: Finance 323-325-423; and Finance 323-327-421/427. Additionally, concerns have been expressed by instructors of Fin 327, 421, 427 about the basic statistics preparation of the Finance majors. Should Finance majors be required to have IDS 301: Statistical Analysis for Business (or some other course in statistics)?

Report completed by \_\_\_Nikhil P. Varaiya\_\_\_\_\_

Date \_\_\_March 28, 2008\_\_\_\_\_

**Appendix 1**  
**Goals and Student Learning Outcomes: BS Finance Major**

	<b>Scheduled for assessment</b>	<b>Assessment method</b>
<b>Goal 1: Assess a firm's financial condition.</b>		
Learning Outcomes: 1. Create and interpret financial statements 2. Create and interpret cash flow statements	2007-08	FIN 423 case and/or FIN 325 exams
<b>Goal 2: Value firms and projects</b>		
Learning Outcomes: 1. Determine discount/hurdle rates 2. Evaluate investments in working capital and long-term assets 3. Demonstrate proficiency in valuation techniques, both DCF (discounted cash flow) and non-DCF 4. Apply the contingent claims approach to valuation	2006-07	FIN 325 exams
<b>Goal 3: Learn to determine a firm's financing needs</b>		
Learning Outcomes: 1. Demonstrate proficiency in pro-forma analysis 2. Determine composition of short and long term funds 3. Determine composition of sources of funds	2006-07	FIN 423 cases
<b>Goal 4: Learn security analysis and portfolio management</b>		
Learning Outcomes: 1. Apply models for Pricing stocks, bonds, and derivative instruments 2. Construct optimal portfolios 3. Design hedging strategies to Manage market risks (e.g., currency, commodity, economic and political)	2007-08	FIN 421 project (SLOs 1, 2) FIN 427 exam (SLO 3)
<b>GOAL 5: Evaluate the economic, legal, regulatory, and industry environment, domestic and international, in which firms operate</b>		
Learning Outcomes: 1. Perform Competitive and Comparative Analyses of industries 2. Describe Global capital markets	2008-09	FIN 423 or Fin 421 (SLO 1) FIN 329 (SLO 2)

<b>Appendix 1</b>		
<b>Goals and Student Learning Outcomes: BS Financial Services Major</b>		
	<b>Scheduled for assessment</b>	<b>Assessment method</b>
<b>Goal 1: Acquire the skills necessary to manage a financial services company.</b>		
Learning Outcomes: 1. Describe the dimensions of performance and risk relevant to financial services companies. 2. Calculate contemporary measures of financial measures of performance and risk. 3. Describe contemporary managerial risk management oversight processes. 4. Explain how the financial services component industries (insurance, banking, securities, real estate and financial planning) interact.	2007 - 8 (Fall)	Fin 326 Specified Exam Questions Fin 589 Specified Exam Questions
<b>Goal 2: Assess consumer financial needs and the mechanisms available for fulfilling these needs</b>		
Learning Outcomes: 1. Describe the various financial products, services and strategies offered by the variety of financial services institutions. 2. Evaluate financial products and strategies offered by the variety of financial services institutions for suitability and appropriateness in meeting consumer needs. 3. Prepare a plan for efficient wealth creation and management including planning for cash and debt management, investing, insurance, retirement, education needs, incapacity, and efficient wealth transfer.	2006 – 7 (Fall)	Fin 589 Specified Exam Questions Comprehensive Case  Next Cycle (2009-2010) add: FIN 331 and FIN 522 Specified Exam Questions

<b>Goal 3: Describe and apply financial concepts, theories, and tools.</b>		
Learning Outcomes: 1. Describe measures of risk and approaches to managing risk. 2. Apply valuation techniques. 3. Explain the structure of the financial markets	2007-8 (Fall)	LO 1 & 3 Fin 326 Exam Questions LO 2 Fin 327 Exam Questions
<b>Goal 4: Evaluate the role of technology and the legal, ethical and economic environment as it relates to financial services</b>		
Learning Outcomes: 1. Analyze the impact of tax and pension law on various financial decisions including accumulation and transfer of wealth. 2. Identify conflicts of interest between market participants and between principal and agent. 3. Design hedging strategies to manage market risks (e.g., currency, commodity, economic and political) 4. Evaluate the economic environment and the impact of governmental economic policies on consumers and financial services firms. 5. Be aware of law and regulations governing the operation of financial service firms and of the financial planning profession. 6. Describe the impact that financial innovation, advances in technology, and changes in regulations has had on the structure of the financial services industry.	2008-9 (Fall)	LO 1 Acct 503 Exam Questions LO 1 Fin 523 Exam Questions LO 2,5 Fin 589 Exam Questions LO 3,4,6 Fin 326 Exam Questions
<b>GOAL 5: Allow student who choose electives which would qualify them to earn the SDSU Certificate in Personal Financial Planning to gain the above knowledge and skills at a level that promotes entry into the personal financial planning profession</b>		
Learning Outcomes: 1. Evaluate an individual's assets for efficient distribution to heirs or through charitable gifts 2. Design and evaluate employee benefits plans and aid individuals in making choices among current plan elections. 3. Design and evaluate portfolios of securities and asset classes aimed at achieving personal goals.	2008-9 (Fall)	LO1 Fin 445 Exam Questions LO2 Fin 523 Exam Questions LO3 Fin 421 Exam Questions & Fin 589 Comprehensive Case

<b>Appendix 1</b>		
<b>Goals and Student Learning Outcomes: MSBA-Finance Concentration</b>		
	<b>Scheduled for assessment</b>	<b>Assessment method</b>
<b>Goal 1: Learn to assess a firm's financial condition.</b>		
Learning Outcomes: 1. Design, create and interpret financial statements 2. Design, create and interpret cash flow statements	2007-08 (Spring 2007)	FIN 653 cases
<b>Goal 2: Learn to evaluate choices between competing resource needs.</b>		
Learning Outcomes: 1. Select among and apply capital budgeting techniques 2. Determine discount/hurdle rates 3. Evaluate investments in working capital and long-term assets.	2006-07 (Fall 2006)	Finance comprehensive exam
<b>Goal 3: Learn to determine a firm's funding needs.</b>		
Learning Outcomes: 1. Design and analyze pro forma statements 2. Determine composition of short and long term funds 3. Identify and evaluate financing choices	2008-09	Finance comprehensive exam
<b>Goal 4: Learn to value a firm and its assets.</b>		
Learning Outcomes: 1. Select among and apply valuation techniques both, DCF (discounted cash flow) and non-DCF approaches 2. Apply the contingent claims approach to valuation	2006-07	FIN 653 cases
<b>GOAL 5: Learn to evaluate securities and manage portfolios</b>		
Learning Outcomes: 1. Apply models for pricing stocks, bonds, and derivative instruments 2. Construct optimal portfolios 3. Design hedging strategies to manage market risks (e.g., currency, commodity, economic, and political)	2007-08	FIN 651 exam (SLO 1, 2) FIN 656 exam
<b>Goal 6: Learn to evaluate the legal, regulatory, economic and industry environment, domestic and international, in which firms operate.</b>		
Learning Outcomes: 1. Perform competitive and comparative analyses of industries 2. Describe global capital markets	2008-09	FIN 659 project (SLO 1) FIN 654 exam
<b>Appendix 1</b>		
<b>Goals and Student Learning Outcomes: MSBA – Financial &amp; Tax Planning</b>		

<b>Concentration</b>		
	<b>Scheduled for assessment</b>	<b>Assessment method</b>
<b>Goal 1: Determine Client Financial Situation and Needs.</b>		
Learning Outcomes: <ol style="list-style-type: none"> <li>1. Determine a client's financial status by constructing and interpreting their financial statements.</li> <li>2. Recognize problems and opportunities, strengths and weaknesses of their current financial situation.</li> <li>3. Evaluate client's attitudes so that a plan can be implemented that is not only feasible but also psychologically appropriate to the client. These include risk preferences, psychological profile and the results of behavioral finance research.</li> <li>4. Help clients enunciate their life goals, enumerate the financial aspects of those goals, evaluate their ability to meet their goals, devise a plan to meet those goals.</li> <li>5. Evaluate the sufficiency of client's emergency funds, their preparation for fiscal stress, their credit worthiness and their use of debt and propose improvements in each.</li> <li>6. Estimate the inflation adjusted cash flows and the present values for each goal, and build an accumulation plan to accomplish each goal.</li> </ol>	2006-7 (Fall)	Fin 589 - Comprehensive Plan
<b>Goal 2: Develop a Financial Plan</b>		
Learning Outcomes: <ol style="list-style-type: none"> <li>1. Evaluate the economic and demographic environment to understand how it may affect clients' plans, including current and anticipated--               <ul style="list-style-type: none"> <li>• Interest and inflation rates</li> <li>• Expected rates of return</li> <li>• Mortality</li> </ul> </li> <li>2. Help clients identify elements of risk they face and select appropriate means of dealing with them. These elements of risk include:               <ul style="list-style-type: none"> <li>• Insurable risks (life, health, property, liability)</li> <li>• Portfolio risks (optimizing investment portfolios)</li> <li>• Hedgeable risks (use of derivatives to control risk)</li> </ul> </li> <li>3. Evaluate investment choices (securities and real assets) and select the most appropriate</li> </ol>	2007-8	LO 1 Fin 657 – “Real” Financial Plan (Completed Spring 07)  LO 2 Fin 522 - Exam Questions Fin 652 – Exam Questions  LO 3 Fin 657 – “Real” Financial Plan (Completed Spring

<p>choices from among various investment and insurance alternatives in order to help clients achieve specific goals.</p> <ol style="list-style-type: none"> <li>4. Understand personal taxation and its affect on all the above strategies including the selection of those strategies that optimize a client's after-tax well being.</li> <li>5. Understand the legal alternatives with regard to choices of means in the transfer of wealth between generations and the use of gifts. Evaluate which optimizes the client's well being.</li> <li>6. Aid both clients and firms in the selection of optimal choices among employee benefit alternatives.</li> </ol>		<p>07) Fin 652 - Exam Questions</p> <p>LO 4 Acctg 503 Exam Questions</p> <p>LO 5 Fin 705 Exam Questions</p> <p>LO 6 Fin 523 Exam Questions</p>
<p><b>Goal 3: Prepare to operate a financial planning practice</b></p>		
<p>Learning Outcomes:</p> <ol style="list-style-type: none"> <li>1. Evaluate and resolve ethical dilemmas facing financial planners.</li> <li>2. Recognize the legal and regulatory constraints within which planners operate.</li> <li>3. Determine the appropriate business form for operating a financial planning practice.</li> <li>4. Evaluate financial planning software</li> </ol>	<p>2008 – 9</p>	<p>LO 1,2 Fin 589 Exam Questions</p> <p>LO 3,4 Fin 657 Assignment Evals.</p>
<p><b>Goal 4: Specialty Goals (CFA, EA)</b></p>		
<p>Learning Outcomes:</p> <ol style="list-style-type: none"> <li>1. Evaluate individual security characteristics and build portfolios at a level sufficient for a Professional Analyst (CFA).</li> <li>2. Prepare taxes and provide tax advice by selection of alternative strategies at a level of the Enrolled Agent (EA).</li> </ol>	<p>2008 - 9</p>	<p>LO 1 Fin 652 Exam Questions</p> <p>LO 2 Acct 655 Exam Questions</p>