Student Learning Outcomes Committee
Department/Program Assessment Results Report

> **NOTE: This file includes assessment reports for the following Finance Department programs/degrees completed during the 2008 calendar year: BSBA ─ Finance Major; BSBA ─ Real Estate Major; MSBA ─ Finance Concentration. Reports for two additional Finance Department programs: BSBA – Financial Services and MSBA ─ Financial & Tax Planning Concentration are found in separate files.**

Department/Program: <u>BSBA</u>   Degree: <u>Finance</u>

Date Submitted   <u>03/06/09</u>

The purpose of this report is to communicate the assessment activities that have taken place during the 2008 calendar year and 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.**

   A series of meetings were held during both the Spring and Fall 2008 semesters, with the aim of examining the Finance Department's courses, majors, and GOALs and SLOs for both individual courses and programs. GOALs and SLOs were up-dated, as was an overall "mapping" of programmatic GOALs and SLOs to various courses and assessment methods.

   The department undertook a benchmarking study, at both the undergraduate and graduate levels, of finance programs and majors offered at a number of other universities. At the undergraduate level, institutions reviewed included: CSU-Fullerton, SFSU, CSU-Long Beach, Cal. Poly - San Luis Obispo, Indiana University, University of Florida, Miami University, University of Richmond, University of Denver, George Washington University, Lehigh University, James Madison University, University of Georgia, University of Wisconsin-Madison, Louisiana State University, University of Connecticut, and University of Virginia. The study revealed that our course work is somewhat biased in favor of the "track" in corporate finance, and that our program lacks coverage in the areas of working capital management and fixed income securities. Other institutions tend to offer more flexible programs whereby students can select other tracks such as investments.

   The department does recognize that statistics is needed for finance majors; however, the contents of IDS 301 does not offer what the department believes is needed for finance majors.

   Finally, several faculty members held meetings with at least two key employers of SDSU Finance majors. Also, informal discussions were held with a number of recent graduates. Overall, it seems that our program does a very good job in educating our students and getting them ready for

challenging and rewarding careers, worldwide. Clearly, further analysis of larger samples of graduates needs to be undertaken in the years ahead.

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?**

This year's assessment focused on the following GOAL and its associated Student Learning Outcomes:

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

SLO 5.1: Perform competitive and comparative analyses of industries.
SLO 5.2: Describe global capital markets.

B. The committee has completed an entire assessment cycle. All the GOALs of the BSBA-Finance program have been assessed. Table 1 shows the next cycle of assessments scheduled to start in 2009.

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

The key assessment vehicles for the student learning outcomes listed under item II are exam-based results obtained in two courses: Finance 421 (SLO 5.1) and Finance 329 (SLO 5.2).

SLO 5.1: Perform competitive and comparative analyses of industries.

Finance 421: Portfolio Management and Security Analysis

Professor Stefano Gubellini, Spring 2008 & Fall 2008:

Given the estimates of pricing errors and risk factor loadings in the framework offered by a single and a multifactor asset pricing model (CAPM and APT, respectively), the students are asked to evaluate the exposures to systematic and non-systematic risk and implement a performance comparison across alternative Industry portfolios. The following exam questions were utilized:

The Industry Portfolio with the highest exposure to the CAPM risk is (use part A of the table that relates only to CAPM results):

a) Consumer NonDurables
b) Consumer Durables, Manufacturing, and Other
c) HiTec Business Equipment
d) Health

HML is an important source of risk for all the Industry portfolios but the following portfolio (use part B of the table that relates only to the 3 factor model of Fama and French results):

    a) Consumer NonDurables
    b) Manufacturing
    c) HiTec Business Equipment
    d) Shops

According to the 3 Factor Model of Fama and French, what would an optimal long/short position be?

    a) long in "Health" AND short in "Other"
    b) long in "Manufacturing" AND short in "Consumer NonDurables"
    c) long in "Shops" AND short in "Manufacturing"
    d) long in "Telcm" AND short in "Utilities"

The average score across the three multiple choice questions is 83.2% and 77.3% (Spring 2008, 45 students; Fall 2008, 46 students), respectively.

Finance 421: Portfolio Management and Security Analysis

Professor Anil Pawar, Summer 2008:

The assessment was carried out through a variety of questions asked on both the mid-term and the final exams. The following is a sample of such questions:

Tests regarding stock splits or stock dividends are usually tests of the _____ form of market efficiency

    a) weak
    b) semi-strong
    c) strong
    d) semi-efficient

All investors seek to

    a) maximize the expected return from their investments
    b) minimize their risk exposure
    c) maximize the expected utility of their investments
    d) minimize the frequency of their capital losses

Which of the following trades on a stock exchange?

    a) a close-end fund
    b) an open-end fund
    c) any mutual fund
    d) any investment company

A means of investigating the semi-strong form of market efficiency is provided by the

    a) serial correlation
    b) stock splits
    c) runs test
    d) mutual fund performance

If the total risk (variance) of a portfolio is 0.0428 and the variance of the market is 0.0253, then the beta of the portfolio would be _____?

Suppose the following data was available:
U.S. bank lending rate is 4.05% (you can borrow from a U.S. bank at this rate);
Swiss bank investment rate is 3.0% (you can earn this rate on deposits in a Swiss bank);
Spot rate is $0.4525/SF, and six-month forward exchange rate is $0.4586/SF;
You decided to borrow $1 million from the U.S. bank and investment the amount in a Swiss bank for a period of six months. How much arbitrage profit would you make on this transaction, if any?

The 36 students enrolled in this course took both the mid-term and the final exams during the summer of 2008. All the students scored above the instructor-set pass rate of 70%.

SLO 5.2: Describe global capital markets.

Finance 329: International Business Finance

Professor Mehdi Salehizadeh, Spring 2008 and Fall 2008:

Exam number 3 administered in Finance 329 – worth 100 points and constituting ¼ of the total points in the course – contains both conceptual questions (to be answered in the form of a True or False response), and math-based problems on international capital markets (with a multiple choice response, and with each student having the option of turning-in the solution for potential review and partial- or full-points credit). There are 48 T-F questions and 13 problem-questions (representing 4 problems).   The following is a sample of the T-F conceptual questions:

- Evidence shows that the price of ADRs and the foreign price of the same equity can vary significantly since there exists no arbitrage opportunities between the two equity forms.

- Interest rate and currency swaps reflect a gap in market efficiency.

- Under FASB #52, transactions gains/losses impact current year's income.

- Studies on MNCs' risk attitude towards currency exposures indicate the existence of an asymmetrical view point whereby the multinationals take a much more active initiative in dealing with negative exposures than with positive exposures.

- As compared to the U.S. domestic bond market, the Euro-bond market has lower (less) disclosure requirements.

- Due to a lack of integration between domestic- and Euro-dollar markets, LIBOR is significantly different from corresponding rates in the U.S.

The following is one of the four problems:

Firms 1 and 2, each issuing $125 million, 7-year maturity debt, want to engage in an interest rate swap. The following information is available:

		Firm 1	Firm 2
Credit Rating:		A	AA
Desired Interest Rates		Fixed	Floating
Existing Alternatives:	Fixed	8.00 %	6¾ %
	Floating	LIBOR+¾ %	LIBOR+½ %

Firm 2 issues fixed debt at 6¾ %, but it desires floating at LIBOR. Firm 1 issues floating debt at LIBOR+¾ %. Next, the two firms swap interest payments.

- If the intermediary collects a fee of ¼%, then Firm 1's fixed interest rate is (in %):
  - a) 8.00   b) 7.75   c) 7.25   d) 7.125   e) 7.50
- Given the interest rate swap above, the combined interest rate savings for the two firms, when compared to their best alternatives, is (in percentage points):
  - a) 1.25   b) 1.50   c) .75   d) 1.00   e) .875

There were 142 (out of 148 enrolled) and 55 (out of 56 enrolled) students who took the third exam in Spring 2008 and Fall 2008, respectively. Assuming a pass rate of ≥C, approximately 70% and 71% passed during Spring 2008 and Fall 2008, respectively.

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

Fin. 421:

Overall, the class shows a very high level of proficiency in comparing the relative performance of industry portfolios.

Fin. 329:

Overall, the class shows an acceptable level of proficiency in describing the key components of the global capital markets and in applying some important financial tools and instruments in solving problems in the international arena.

Reflecting GOAL 5 and its associated SLOs, a large majority of SDSU Finance majors have acquired the capacity to formulate and communicate strategies to distinguish performance among industry portfolios and to apply a number of domestic concepts to financial challenges arising in international capital markets. However, a small number of students struggle with the application of tools and theory.

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.

This report's conclusions will be used to:

➢ Examine the need for the introduction of additional courses in "sub-areas" of finance, such as investments, where deficiencies may exist.
➢ Undertake a new cycle of programmatic assessment – as outlined in Table 1 below – with the aim of further evaluation of individual performance when the final deliverable is group-based work.
➢ Create specific survey instruments for further analysis of the educational and career achievements of Finance majors.

Report completed by: **Mehdi Salehizadeh**   **Date: 03/06/2009**

TABLE 1

BS – FINANCE MAJOR

GOALS AND STUDENT LEARNING OUTCOMES	Assessment: Calendar Year	Courses and Assessment Methods
Goal 1: Assess a firm's financial condition.		
Learning Outcomes: 1. Create and interpret financial statements 2. Create and interpret cash flow statements	2010	FIN 423 Cases and/or FIN 325 Exams
Goal 2: Value firms and projects		
Learning Outcomes: 1. Determine discount/hurdle rates 2. Evaluate investments in working capital and long-term assets 3. Apply valuation techniques, both DCF (discounted cash flow) and non-DCF 4. Apply the contingent claims approach to valuation	2009	FIN 325 Exams
Goal 3: Determine a firm's financing needs		
Learning Outcomes: 1. Create and analyze pro-forma statements 2. Determine composition of short and long term funds 3. Identify and evaluate financing choices	2009	FIN 423 Cases
Goal 4: Evaluate securities and manage portfolios		
Learning Outcomes: 1. Apply models for Pricing stocks, bonds, and derivative instruments 2. Construct optimal portfolios 3. Design hedging strategies to Manage market risks	2010	FIN 421 (SLOs 1, 2) FIN 427 (SLO 3)
GOAL 5: Evaluate the economic, legal, regulatory, and industry environment, domestic and international, in which firms operate		
Learning Outcomes: 1. Perform Competitive and Comparative Analyses of industries 2. Describe Global capital markets	2011	FIN 421 Exams (SLO 1) FIN 329 Exams (SLO 2)

Department/Program: <u>MSBA</u>   Degree: <u>Finance</u>

Date Submitted   <u>03/06/09</u>

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

A series of meetings were held during both the Spring and Fall 2008 semesters, with the aim of examining the Finance Department's courses, majors, and GOALs and SLOs for both individual courses and programs.   Goals and SLOs were up-dated, as was an overall "mapping" of programmatic GOALs and SLOs to various courses and assessment methods.

The department undertook a benchmarking study, at both the undergraduate and graduate levels, of finance programs and majors offered at a number of other universities.   At the graduate level, the following programs were reviewed: CSU-Fullerton, SFSU, CSU-Long Beach, Cal. Poly. - San Luis Obispo, University of Kentucky, Colorado State University, University of Oregon, Ohio State University, University of Illinois, Northwestern University, Indiana University, BYU, University of Richmond, Villanova, George Washington University, Emory University, Washington University (Olin), Lehigh University, Penn State (Smeal), Rutgers, College of William and Mary (Mason), Case Western, Miami University, St. Louis University, University of Connecticut, University of Mass. Amherst, Syracuse University, Clemson University, Georgia State University.

The study revealed that our graduate program is quite flexible, but that we lack in the areas of derivatives / risk management, financial markets, and fixed income securities.

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?**

This year's assessment focused on the following GOALs and their associated Student Learning Outcomes:

A. GOAL 3:   Determine a firm's funding needs.

SLO 3.1: Design and analyze pro forma statements.
SLO 3.2: Determine composition of short and long term funds.
SLO 3.3: Identify and evaluate financing choices.

B. GOAL 6: Learn to evaluate the legal, regulatory, economic and industry environment, domestic and international, in which firms operate.

      SLO 6.1: Perform competitive and comparative analyses of industries.
      SLO 6.2: Describe global capital markets.

C. The committee has completed an entire assessment cycle. All the GOALs of the MSBA-Finance program have been assessed. Table 2 shows the next cycle of assessments scheduled to start in 2009.

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

The key assessment vehicles for the student learning outcomes listed under item II consist of: individual-student case analyses completed for the Finance Department's MSBA Comprehensive Exam (SLO 3.1, 3.2, and 3.3); and exam- and case-based results obtained in Finance 659 (SLO 6.1) and Finance 654 (SLO 6.2).

SLOs 3.1, 3.2, and 3.3

Finance Department's MSBA Comprehensive Exam

Professor Nik Varaiya, Spring 2008:

The SLOs were assessed thorough a comprehensive case study exam. Each student was required to submit a written report on the following case, "Nova Chemical Corporation," answering a number of questions. Specifically, Questions 2-4 below are designed (in part) to assess student performance vis-à-vis SLOs 1-3 above.

2. Estimate the value of the Industrial Products Division (IPD) using the Discounted Cash Flow Valuation Method. Would you sell IPD to United Chemical for $160 million?

3. What are Nova's external funds needs if IPD is sold? How would you fund these needs? Why?

4. What are Nova's external funds needs if IPD is retained? How would you fund these needs? Why?

Scoring Rubric

Q. 2: 40 points; determine Net Cash Flows; determine WACC
Q. 3: 20 points; create proforma statements; evaluate financing choices
Q. 4: 20 points; create proforma statements; evaluate financing choices

Acceptable Score is 70% of total points.

The average scores for these questions on the Spring 2008 Comprehensive Exam are as follows:

Q. 2: 35.6/40 points;
Q. 3: 17.2/20 points;
Q. 4: 16.4/20 points.

The student performance on all three questions meet the Acceptable Score and provides evidence that Goal 3 and associated Learning Outcomes are being adequately achieved.

SLOs 6.1 and 6.2

Finance 659: Decision Making in the World Economy

Professor Frank Ryan, Spring 2008 & Fall 2008:

The assessment method consisted of several components. One method involved a country-analysis group project, completed by all the students. The group presentation focused on a two-country analysis involving an investment opportunity by a multinational corporation. For Spring 2008, the median group project grade was 3.6, above 90%; for Fall 2008, the median group project grade was 3.5, or 90%. In both semesters, the students did a very good job on their projects.

Additionally, the students completed a 5-page individual paper discussing the domestic and international economic environment. The topic of this paper was the impact of the U.S. Current Account deficit on the future economic environment. For spring 2008, the average grade was 3.2, i.e., approximately 85%; for fall 2008, the average grade was 3.5, approximately 90%.

A third component consisted of numerous true/false, multiple choice, and written questions designed to assess the above SLOs. Here are some sample final exam questions (along with their respective performance metrics):

True/False: "On a percentage of GDP basis, the national debt of the U.S. is lower than that of Japan." 75% correct.

True/False: "If global capital flows into/out from a given country are 'perfectly immobile,' then the supply curve of real loanable funds will be nearly horizontal." 78% correct.

True/False: "According to the article 'U.S. International Deficits, Debt, and Income Payments: Key Relationships Affecting the Outlook,' by John Kitchen, the income elasticity of the U.S. for imports is higher than for other countries. That implies that, for a given increase in income, the U.S. will expand its imports faster than other countries, on a percentage basis." 87% correct.

True/False: "As Euro Zone countries adopted the euro, the sovereign credit risk of Euro Zone countries increased. However, the currency risk of doing business in these countries dropped, given that the Euro is a more stable currency than each country's own currency." 95% correct.

Multiple Choice: If a Japanese bank lent ¥100 million to finance a U.S. takeover, where payment was to be made in dollars for the acquired company, what effect would this transaction have on Japan's monetary base and the value of the yen?

a. Value of the yen appreciates, Japan's monetary base increases
b. Value of the yen depreciates, Japan's monetary base increases
c. Value of the yen appreciates, no change to Japan's monetary base
d. Value of the yen depreciates, no change to Japan's monetary base
e. None of the other choices

66% correct.

When will government spending most completely "crowd out" private domestic investment?

a. Supply of loanable funds is elastic, i.e. near horizontal.
b. Supply of loanable funds is inelastic, i.e. near vertical.
c. Demand for loanable funds is elastic, i.e. near horizontal.
d. Demand for loanable funds is inelastic, i.e. near vertical.
e. The amount of crowding out is independent of the supply or demand for loanable funds.

85% correct.

Written question:

Suppose that a 3-year zero-coupon U.S. government bond now yields 2.00%. And a 5-year zero-coupon U.S. government bond currently yields 3.50%. According to class discussion (using the "Unbiased Expectations Theory"), what yield are investors expecting – on 2-year U.S. government bonds – at the start of the third year?

90% correct [Goal 6, SLO 2]

Written question:

Your firm is investing in a rapidly expanding economy in the Middle East, in which there are many nearly-finished construction projects. Your firm is concerned with local worker wages. You report to your management that your firm can easily import additional foreign labor, if needed, at the prevailing wage rates. Draw a supply and demand curve for labor in this market that shows how additional demand will not drive up wage rates.

Is the demand for labor elastic or inelastic? Is the supply of labor elastic or inelastic? Briefly explain why. Then draw your diagram.

Demand is (circle one)   elastic   inelastic. Why?

Supply is (circle one)   elastic   inelastic. Why?

80% correct.

SLO 6.2: Describe global capital markets.

Finance 654: Seminar – International Business Finance

Professor Kuntara Pukthuanthong-Le, Spring 2008 & Fall 2008:

The assessment method consisted of several parts. Part 1 involved seven group case assignments. Here are some sample questions:

Should Disney hedge its yen royalty cash flow? Why or why not? If so, how much should be hedged and over what time frame?

Why is a dual-currency bond being presented to RJR as one of the major financing alternatives? Are the terms of the bond more favorable to RJR or to potential investors? Why might an investor be interested in buying such a security?

Why is GM worried about the yen? How important is the competitive exposure?

What is the value of the Pakistan project using the cost of capital derived from the new methodology? If this project was located in the U.S., what would its value be?

Part 2 reflected individual-based exam questions. For the mid-term exam, here is a sample question designed to assess SLO 6.2:

Suppose the spot rate is Yen 90/$, the three-month forward rate is Yen 88/$, and the three-month yen interest rate is 2.5% per annum. Assume that interest rate has geometric distribution.

− What is the implied three-month US$ interest rate per annum?

− Suppose that the actual three-month US$ interest rate is 15% per annum. What would you do to profit from the arbitrage opportunity? Explain your strategies and show how much profit you would make in percentage.

Part 3 consisted of an individual take-home final exam, comprised of a case analysis.

Overall, the assessment of SLO 6.2 reflects the results obtained on 35 students in Spring 2008 (with an achievement rate of 95%) and 37 students in Fall 2008 (with a score of 90%).

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

Finance Department's MSBA Comprehensive Exam

Overall, students demonstrate a solid understanding of the various concepts being measured by GOAL 3 and its associated learning outcomes.

Fin. 659:

Overall, the class shows an acceptable level of proficiency in comparing the relative performance of industry portfolios, and in applying certain important financial tools and instruments in solving problems in the international arena.

Fin. 654:

Overall, the class demonstrates an acceptable level of proficiency in describing the key components of the global capital markets and in applying some important financial tools and instruments in solving problems in the international arena.

Reflecting GOALs 3 and 6, and each goal's associated SLOs, a rather overwhelming majority of SDSU masters students in Finance have acquired the capacity to formulate and communicate strategies to distinguish performance among industry portfolios and to apply a number of domestic concepts to financial challenges arising in international capital markets.

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.

This report's conclusions will be used to:

➢ Undertake a new cycle of programmatic assessment – as outlined in Table 2 below – with the aim of further evaluation of individual performance when the final deliverable is group-based work.
➢ Create specific survey instruments for further analysis of the educational and career achievements of masters students in Finance.

Report completed by: Mehdi Salehizadeh   **Date: 03/06/2009**

TABLE 2

MSBA – FINANCE Concentration

GOALS AND STUDENT LEARNING OUTCOMES	Assessment: Calendar Year	Courses and Assessment Methods
Goal 1: Assess a firm's financial condition.		
Learning Outcomes: 1. Create and interpret financial statements 2. Create and interpret cash flow statements	2010	FIN 653 cases
Goal 2: Evaluate choices between competing resource needs.		
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.	2009	Finance comprehensive exam
Goal 3: Determine a firm's funding needs.		
Learning Outcomes: 1. Design and analyze pro forma statements 2. Determine composition of short and long term funds 3. Identify and evaluate financing choices	2011	Finance comprehensive exam
Goal 4: Value a firm and its assets.		
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	2009	FIN 653 cases
GOAL 5: Evaluate securities and manage portfolios		
Learning Outcomes: 1. Apply models for pricing stocks, bonds, and derivative instruments 2. Construct optimal portfolios 3. Design hedging strategies to manage market risks	2010	FIN 651 exam (SLOs 1, 2) FIN 654 exam (SLO 3)
Goal 6: Learn to evaluate the legal, regulatory, economic and industry environment, domestic and international, in which firms operate.		
Learning Outcomes: 1. Perform competitive and comparative analyses of industries 2. Describe global capital markets	2011	FIN 659 case, exam (SLOs 1, 2) FIN 654 exam (SLO 2)

Department/Program: <u>BSBA</u>   Degree: <u>Real Estate</u>

Date Submitted   <u>03/06/09</u>

The purpose of this report is to communicate the assessment activities that have taken place during the 2008 calendar year and 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.**

     This is the first assessment report for the BSBA degree with a major in Real Estate.

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?**

     This year's assessment focused on the following GOAL and its associated Student Learning Outcomes:

     A.   GOAL 2:   Educate students to make real estate financial decisions.

          SLO 2.1: Understand the debt and equity financing of real estate.
          SLO 2.2: Understand various alternative mortgage instruments.
          SLO 2.3: Make mortgage calculations.
          SLO 2.4: Explain the various sources of real estate financing.

     B.   For next year's report, covering the 2009 calendar year, GOAL 1 will be assessed:

          GOAL 1:   Help students learn how to value real estate.

          SLO 1.1: Determine the highest and best use of parcels of real estate.
          SLO 1.2: Apply various real estate valuation techniques.
          SLO 1.3: Demonstrate the knowledge of statistical models in valuing real estate.
          SLO 1.4: Conduct income property proforma statements.

C. Table 3 shows the overall cycle of assessments schedules for the BSBA in real estate.

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

The key assessment vehicles for the student learning outcomes listed under item II consist of selected questions from exams in Fin. 331 and Fin. 431.

<u>SLOs 2.1, 2.2, 2.3 and 2.4</u>

Finance 331: Real Estate Essentials

Finance 431: Real Estate Finance

Professor Xudong An, Fall 2008:

The assessment method consisted of exam questions. Here are some sample exam questions (along with their respective performance metrics):

From a legal perspective, a mortgage:
     a. gives a borrower the right to take out a loan.
     b. names real estate as the security or collateral for the repayment of a loan.
     c. defines a possessory interest in real estate.
     d. all of the above.

Which of the following is not a potential source of commercial real estate financing
     a. Pension fund
     b. Life insurance companies
     c. Ginne Mae
     d. Real Estate Investment Trusts (REITs)

Which of the following was common practice seen in the subprime mortgage market:
     a. Mortgage loans are originated to borrowers with credit scores lower than 620
     b. Borrowers are charged an interest rate lower than that of prime mortgages
     c. Loans are made to borrowers without income documentation or verification
     d. All of the above
     e. a and c

You are considering the purchase of a small office building for $1,975,000 today. Your expectations include these: First-year gross potential income of $340,000; Vacancy and collection losses equal to 15% of PGI; Operating expenses equal to 40% of EGI, and capital expenditures equal to 5% of EGI; A mortgage loan with LTV of 75%. The constant payment mortgage loan will be amortized over 30 years and supposed to be mature in 10 years. Payment will be made monthly. The mortgage interest rate is 7% and the lender will charge 2 points for the loan.

a. How much cash do you need for the purchase?

b. How do you calculate your monthly payment of your mortgage? Based on the
following mortgage payment calculation table, what's your monthly payment?

Loan balance ($)	Interest rate	Amortization term (years)	Monthly payment ($)
100,000	7%	10	1,161.08
100,000	7%	30	665.30
100,000	7.2%	10	1,171.42
100,000	7.2%	30	678.79
100,000	5%	30	536.82

c. What's your Debt-service-coverage ratio (DSCR)?

A builder approaches a life insurance company about investment in a new development. The
insurance company agrees to provide 80% of the debt financing and equity capital. This type of
alternative financing structure is characteristic of
a. a participation loan
b. an installment sale financing
c. a joint venture
d. a sale-leaseback

Overall, 74 and 40 students, respectively, were enrolled in Fin. 331 and Fin. 431. Twenty five
questions were administered to students as part of their FIN 331 and FIN 431 exams to assess this
goal. It was decided that competency was reached by the percentage of students who correctly
answered the questions. The overall percentage average was 84.21% which met the target of
80%.

The following reports the percentage of students who correctly answered specific questions to
discern the program's success in student accomplishment of each SLO:

LO 1   Understand the debt and equity financing of real estate
Percentage of students answering five questions correctly   86.40%

LO 2   Understand various alternative mortgage instruments.
Percentage of students answering eight questions correctly   86.87%

LO 3   Make mortgage calculations.
Percentage of students answering nine questions correctly   80.89%

LO 4   Explain the various sources of real estate financing.
Percentage of students answering three questions correctly   82.67%

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

Fin 331 and Fin. 431:

Overall, students in these two classes show an acceptable level of proficiency in understanding GOAL 2.

Reflecting GOAL 2 and its associated SLOs, a large majority of SDSU Real Estate majors have demonstrated the capacity to understand various sources of real estate financing, to derive mortgage calculations, and to apply a variety of mortgage instruments.

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.

This report's conclusions will be used to:

➢ Coordinate the GOALs and SLOs with part-time instructors in real estate in order to improve the overall assessment.
➢ Undertake a complete cycle of programmatic assessment – as outlined in Table 3 below.

Real Estate Report completed by: Andrew Do and Xudong An

Report submitted by: **Mehdi Salehizadeh**   **Date: 03/06/2009**

TABLE 3

BSBA – REAL ESTATE MAJOR

GOALS AND STUDENT LEARNING OUTCOMES	Assessment: Calendar Year	Courses and Assessment Methods
Goal 1: Help students learn how to value real estate.		
Learning Outcomes: 1. Determine the highest and best use for parcels of real estate. 2. Apply various real estate valuation techniques. 3. Demonstrate the knowledge of statistical models in valuing real estate. 4. Conduct income property proforma statements.	2009	FIN 331, FIN 433, and FIN 784 assignments and exams
Goal 2: Educate students to make real estate financial decisions.		
Learning Outcomes: 1. Understand the debt and equity financing of real estate. 2. Understand various alternative mortgage instruments. 3. Make mortgage calculations. 4. Explain the various sources of real estate financing.	2008	FIN 331 and FIN 431 exams
Goal 3: Develop students' ability to analyze real estate investment opportunities.		
Learning Outcomes: 1. Calculate the NOI, NPV and IRR of a real estate investment. 2. Understand how leverage affects real estate investment risk and return. 3. Demonstrate the ability to understand the legal aspects of real properties.	2010	FIN 331, FIN333, FIN435, and FIN783 exams and assignments
Goal 4: Illustrate knowledge of real estate development.		
Learning Outcomes: 1. Describe the basic process of real estate development. 2. Evaluate the risk and return of real estate development. 3. Understand the financing of real estate development.	2011	FIN331, FIN437, and FIN783 exams and assignments