

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

Department/Program \_\_\_\_\_ MSBA \_\_\_\_\_ 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.**

We had indicated that a review of BA 665-Fin 617-Fin 617 course sequence would be undertaken in Spring - Fall 2007. In Spring 2007 the Department had concluded the necessity of offering Fin 617 in both Fall and Spring semesters. We will do so in AY 2008-09 (despite of resignation of the faculty member teaching this course in Summer '07). A further review of the role of Fin 617 as a pre-requisite course for Fin 653 has proved challenging since both MBA and MSBA students take Fin 617 and MBA programmatic requirements make it difficult to require Fin 617 as a pre-requisite for Fin 653 for MBA students. This issue is under review in Spring 2008.

**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:  
Design, create and interpret financial statements  
Design, create and interpret cash flow statements
  - Goal 5: Learn to evaluate securities and manage portfolios**  
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 Appendix 1, the following two goals and their corresponding student learning outcomes will be assessed in the coming year:
  - Goal 3: Learn to 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

**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

**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 653: Financial Analysis and Management (Professor Moon Song)

Goal 1

- Design, create and interpret financial statements
- Design, create and interpret cash flow statements

FIN 653 covers analysis and discussion of 18 cases. On average each student group does 3 comprehensive case analyses which consist of 3 oral presentations. On an individual basis, each student prepares 15 strategy papers for the cases which they do not present..

Among 18 cases, thirteen cases require students to analyze historical financial statements (balance sheet and income statement). Seven cases also provide forecasted financial statements. Nine cases (six of them are M& A cases) ask students to prepare free cash-flow and perform firm or project valuation.

Student **performance** is based on a combination of group and individual performance. Group performance is entirely based on case oral presentation, written PowerPoint report, and very detailed Excel spread sheet (s) to backup analysis. Individual performance is based on participation/comments on other student group presentations, strategy papers, attendance, and peer evaluation.

Grading rubric:

Strategy papers: The strategy paper is not an actual solution to the case; it should simply explain how one should go about solving the case, step by step. The strategy 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.

The data indicate that about 75% of case presentations are of very high quality; team presentations are very ‘polished’; in general students’ do well on the qualitative discussions in the strategy papers. This is an acceptable level of performance (over the course of a semester).

Finance 651: Seminar in Investments (Professor Stefano Gubellini)

Goal 5

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

Students estimate single and multifactor asset pricing models to evaluate the relative performance of well-known trading strategies as part of a graded class project. The empirical results then lead to the discussion of the rational and behavioral paradigms and related implications.

The mean score of the class is 76.7% of the total possible score, even if there seems to be a significant variability across the students. Overall, the class shows an acceptable level of proficiency in interpreting the results.

“Construct optimal portfolios”.

Given the investor preferences and a set of basic asset classes, the students are asked to construct the related optimal portfolio following the tenets of modern portfolio theory. The students were evaluated on a problem given as part of a graded assignment. The overall performance leads to an average score of 66.1%.

#### Finance 656: Financial Institutions Management (Professor David Ely)

##### Goal 5

“Design hedging strategies to manage market risks”.

##### Assessment instrument:

Five questions from the Finance 656 Final Exam, administered May 2007. The questions are included in Appendix 3.

#### **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 653

“Student case analyses become more rigorous and professional as the semester progresses; the group presentations also enable evaluation of team performance. However, there is concern since students are not individually graded on *detailed case analyses*. Professor Song feels that students (especially MBA students) who did not take FIN 617 before taking FIN 653 do not have enough finance background to be able to do what cases require; may not be as good at applying finance concept/theory to practical situations.

##### Finance 651

“The mean score of the class is 76.7% of the total possible score, even if there seems to be a significant variability across the students. Overall, the class shows an acceptable level of proficiency in interpreting the results”.

“The overall performance leads to an average score of 66.1%.” This score is marginally the acceptable the course instructor (and others) have expressed concern about the statistics preparation of students in this coursed (see also section V below).

##### Finance 656

##### Participation:

All 14 students enrolled in Finance 656 are included in this assessment of learning.

Results:

Percent of students who performed at the marginal pass level or better: 86%

Percent of students who performed at the strong pass level or better: 50%

**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 653, Finance 651, and Finance 656 has been satisfactory based on the data collected and reviewed, several concerns have been raised at the Finance Department's Meeting on March 14, 2008 regarding Assessment Issues:

- pre-requisite preparation in Finance 653; specifically the role of Finance 617. The department has scheduled another meeting in Spring 2008 that will examine the following course sequences: BA 665 (core graduate finance course) - Finance 617 - 653; and BA 665 - Finance 651 - Finance 652. Additionally, concerns have been expressed by instructors of Finance 651/652 about the basic statistics preparation of the Finance majors. These issues are part of the discussion of pre-requisite waivers in the MBA/MSBA program as the CBA transitions to a new MBA Program starting Fall 2008. David Ely (Director, CBA Graduate Programs) will be participating in these discussions later in Spring 2008.

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,	2007-08	FIN 421 project (SLOs 1, 2) FIN 427 exam (SLO 3)

commodity, economic and political)		
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<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)

**Appendix 1**  
**Goals and Student Learning Outcomes: BS Financial Services Major**

	<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, educations 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



**Appendix 1**  
**Goals and Student Learning Outcomes: MSBA-Finance Concentration**

	<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: 4. Design and analyze pro forma statements 5. Determine composition of short and long term funds 6. 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	2007-08	FIN 651 exam (SLO 1, 2) FIN 656 exam

3. Design hedging strategies to manage market risks (e.g., currency, commodity, economic, and political)		
<b>Goal 6: Learn to evaluate the legal, regulatory, economic and industry environment, domestic and international, in which firms operate.</b>		
Learning Outcomes: 3. Perform competitive and comparative analyses of industries 4. Describe global capital markets	2008-09	FIN 659 project (SLO 1) FIN 654 exam
<b>Appendix 1 Goals and Student Learning Outcomes: MSBA – Financial &amp; Tax Planning Concentration</b>		
	<b>Scheduled for assessment</b>	<b>Assessment method</b>
<b>Goal 1: Determine Client Financial Situation and Needs.</b>		
Learning Outcomes: 1. Determine a client’s financial status by constructing and interpreting their financial statements. 2. Recognize problems and opportunities, strengths and weaknesses of their current financial situation. 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. 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. 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. 6. Estimate the inflation adjusted cash flows and the present values for each goal, and build an accumulation plan to accomplish each goal.	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 choices from among various investment and insurance alternatives in order to help clients achieve specific goals.</li> <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>	2007-8	<p>LO 1 Fin 657 – “Real” Financial Plan (Completed Spring 07)</p> <p>LO 2 Fin 522 - Exam Questions Fin 652 – Exam Questions</p> <p>LO 3 Fin 657 – “Real” Financial Plan (Completed Spring 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>
<b>Goal 3: Prepare to operate a financial planning practice</b>		
<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>	2008 – 9	<p>LO 1,2 Fin 589 Exam Questions</p> <p>LO 3,4 Fin 657 Assignment Evals.</p>
<b>Goal 4: Specialty Goals (CFA, EA)</b>		
<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> </ol>	2008 - 9	<p>LO 1 Fin 652 Exam Questions</p>

2. Prepare taxes and provide tax advice by selection of alternative strategies at a level of the Enrolled Agent (EA).

LO 2 Acct 655 Exam Questions

### Appendix 3– Exam Questions Used to Assess Goal 5, SLO 3.

1. Are the following statement true, false or uncertain. Explain your responses.

The best measure of risk of a derivative institute is its notional value. (6 pts)

Value-at-risk (VaR) is a measure of the maximum amount a financial institution would lose under a worst-case scenario. (6 pts)

A US bank has variable-rate assets in US dollars and fixed-rate liabilities in euros is exposed to interest rate declines and an appreciation of the dollar. (6 pts)

- 6 Consider the following balance sheet of a financial institution. The numbers provided are in millions of dollars and reflect market values.

ASSETS	\$m	% TA	LIABILITIES	\$m	% Lia b
Cash	20	3	Deposits	200	29
T-Bills 30 days (4.5 pct, par)	50	6	(average duration=3.5 yrs)		
	60	7	Certificate of Deposit	150	21
T-Bills 91 days (5.0 pct, par)	300	36	(avg. duration = 6 months)		
Commercial Loans	200	24	Short-term Debt	150	21
(avg. duration 7.5 yrs)			(avg. duration = 3.78 years)		
Consumer Loans	150	18	Long-term Debt	200	29
(avg. duration = 4.0 yrs)			(avg. duration = 12 years)		
Mortgage Loans - Fixed Rate	50	6	Equity	130	
(avg. duration = 25 years)	830		TOTAL LIABILITY & EQUITY	830	
Adjustable Rate Mortgages (interest rate reset = 6 mths)					
TOTAL ASSETS					

- a What is the leveraged adjusted duration gap of the financial institution? (6 pts)
- b What is the effect of a 100 basis point increase in interest rates on the market value of equity of the FI? Use the duration approximation relationship. Assume  $R = 4$  percent. (6 pts)
- c What are the shortcomings of using this approximation? (4 pts)

- 8 A thrift has funded 10 percent fixed-rate assets with variable-rate liabilities at LIBOR + 2 percent. A bank has funded variable-rate assets with fixed-rate liabilities at 6 percent. The

bank's variable-rate assets earn LIBOR + 1 percent. The thrift and the bank have reached agreement on an interest-rate swap with the fixed-rate swap payment at 6 percent and the variable-rate swap payment at LIBOR. Which side of the swap should the thrift take? Calculate the net after-swap cost of funds for the thrift and the bank. (Include the cash market liabilities in the analysis.) (8 pts)