

Learning While Doing: Applying Team-Based Learning in a Finance Course

Miranda Lam, Ph.D. CFA  
Department of Accounting and Finance  
Salem State College  
352 Lafayette Street  
Salem, MA 01970  
(978) 542-6308  
[mlam@salemstate.edu](mailto:mlam@salemstate.edu)  
[miranda.lam.nh@gmail.com](mailto:miranda.lam.nh@gmail.com)

June 2008

## Learning While Doing: Applying Team-Based Learning in a Finance Course

### ABSTRACT

Successful financial managers possess communication, leadership, and teamwork skills in addition to financial knowledge. Traditionally, finance curriculum focuses on financial theories and technological tools, both of which are expanding at an increasing rate. Today, finance faculty is called on to help students develop teamwork and communication skills at the same time. How can faculty rise up to these challenges? This article presents a Team-Based Learning pedagogy that can improve learning of financial concepts and provide opportunities for students to practice leadership and teamwork skills. The experience of redesigning a Financial Institutions Management course to use Team-Based Learning is discussed.

#### Keywords

Team Learning, Business Pedagogy, Teamwork Skills, Effective Group Assignments

## INTRODUCTION

Stakeholders of higher education, from employers to accreditation agencies, are demanding students to be better prepared in workplace skills in addition to content knowledge. Coplin (2002) found that employers ranked teamwork skills as the third most important things they expect students to learn in college. In comparison, having a GPA of 3.0 or higher was ranked number 17 by employers. Traditional finance curriculum focuses on financial concepts and theories and technical skills such as spreadsheet modeling needed to apply these theories. The prolific advancements in financial theories and computational technology in the past decades make adding yet another set of skills to the already packed curriculum a monumental challenge. How can finance faculty include team work as a learning objective and teach students everything else that they need to know in finance? This article presents a pedagogy, Team-Based Learning, that integrates teamwork as an underlying part of the course. The primary objective of a Team-Based Learning course is to help students learn how to apply complex concepts instead of memorization. This is a worthwhile goal that all instructors strive to achieve. This pedagogy holds great potential for improving student learning of basic financial concepts while providing them an opportunity to practice other workplace skills simultaneously.

The first section of this article describes the Team-Based Learning pedagogy and compares its strengths and weaknesses relative to a primarily lecture based approach. The second section illustrates a case study of implementing Team-Based Learning in a Financial Institutions and Management course and presents student performance statistics from Spring 2007 and Spring 2008.

## TEAM-BASED LEARNING

The Team-Based Learning approach goes beyond including group projects in the course structure. Group projects have been a standard pedagogical tool in MBA courses and have gained wide acceptance in upper-leveled finance courses as well. When assessing the teamwork component of a curriculum, group projects are often touted as the central element. In addition to helping improve teamwork skills in students, group projects have many merits from a pedagogical perspective. Hensen (2006) summarizes the benefits and challenges of group projects documented in prior research. The main benefits include collaborative learning, opportunity to apply complex concepts, deep thinking, higher student motivation, and improved communication, interpersonal and team skills. The most common challenges are free riding, scheduling conflicts and lack of team development, all of which detract significantly the merits of group projects. To overcome these challenges require instructors to set aside valuable class time to teach teamwork skills and help moderate conflicts. Understandably, instructors are concerned there will be insufficient time left for lectures on finance theories. The Team-Based Learning (TBL) approach specifically addresses these challenges.

Free riding is usually not prevalent in a well-developed team because each member feels obligated and loyal to the team as a whole. The crux is therefore forming and developing teams properly, which is part of teamwork skills that students are learning. The team formation process is an important part of the TBL pedagogy and can have great impact on learning effectiveness and success of the course. Mannix and Neale (2005) provide an extensive review on the benefits and liabilities of diversity in teams. They suggest that to form successful teams in “exploration” type tasks, which require the creation and expression of divergent perspectives, a team should be

diverse “at the level of knowledge, skills, and abilities.” Michaelsen and Fink (2004) describe in detail how to form teams to maximize effectiveness of a TBL course. They emphasize the importance of the instructor controlling the team formation process and distributing member assets and liabilities equitably across teams. Member assets may include work experience, previous relevant course work, grade, etc. while liabilities may include lack of relevant course work, limited fluency in English, negative attitude about group work, and pre-existing subgroups (e.g. boyfriend/girlfriend). The factors that Michaelsen and Fink (2004) considered are consistent with the performance-improving characteristics documented by Mannix and Neale (2005). Time is indispensable to transform a group of students into an effective team. Therefore, team membership should be permanent throughout the semester. Knowing that they will be in the same team for the entire semester also motivate students to exert mutual accountability from each other. By making the team formation process deliberate and transparent, students experience first-hand how to form and develop an effective team.

To address the challenge of scheduling conflicts, in-class time is devoted primarily to team projects that emphasize applications and discussions. Students are expected to read and comprehend basic knowledge outside of class time independently. This course structure helps minimize scheduling conflicts outside of class and accentuates teamwork as an important element of the course. In order to be able to apply course concepts and engage in meaningful discussions, students need to have acquired the basic concepts on their own and be prepared for each class meeting. Two potential problems facing instructors are that (1) significant number of students do not adequately prepare for class and cannot carry out the work or discussion or (2) a small number of students are not prepared and free-ride on their classmates. Michaelsen and Fink (2004) describe a testing procedure called Readiness Assessment Process (RAP) to address

these two issues. A course is organized into modules of related topics. Each student is expected to complete all reading assignments of a module before class. On the first day of each module, student will individually take a test, usually in a multiple choice format, on basic concepts, such as definitions, facts and formula-based calculations, from the readings. Each team will then take the same test, with inputs from each member. The teams will receive immediate feedback on their performance, followed by class discussions and an opportunity to ask the instructor additional questions. Since students were given immediate feedback, the instructor knows what concepts students have mastered and can focus lectures productively. The individual portion of the test holds students responsible and reduce free-riding.

Another element suggested by Michaelsen and Fink (2004) is a process for appealing an incorrect answer. Only teams can appeal, not individual students. However, if an appeal is granted, students on the same team will receive score on their individual test as well. The appeal must be in writing and include citation with page numbers from the text or reading materials. If the basis for appeal is the wording of the question, students must identify the source of confusion and rewrite the question, eliminating the confusion. The opportunity to appeal gives students more ownership of their learning process and helps alleviate the anxiety of being tested on materials before any formal lecture. From the instructor's perspective, the appeal process is another occasion for learning.

Each student's overall grade consists of performance from individual scores and team scores. An important element of the TBL pedagogy is that students in the entire class jointly determine what percentage of their grades will be based on individual scores versus team scores. By including students in determining the grade distribution, students become accountable for their own decisions and this becomes a "buy-in" by students to the assessment process.

## APPLYING TEAM-BASED LEARNING IN A FINANCIAL INSTITUTIONS MANAGEMENT COURSE

This paper presents a case study of adopting an undergraduate junior-level Financial Institutions Management course at a medium size state college to the Team-Based Learning format. A description of the course along with its goals and learning outcomes are included in Appendix A. The typical students for this course are finance concentrators with at least one introductory finance course and are juniors or seniors.

In order to understand the impacts of current events on financial institutions, students must acquire a substantial amount of basic knowledge, such as government regulations, structure of the Federal Reserve System, operation characteristics of financial markets and monetary theories and policies. Getting students to complete the large amount of assigned readings to be prepared for class discussions has been a challenge in the past. In Spring 2007 and 2008, this course was redesigned to adopt the TBL pedagogy. In Spring 2007, this course meets for 50 minutes three times per week. The short class time is not ideal for the TBL format and modifications are needed. The course was organized into 6 modules. At the beginning of each module, a readiness assessment was conducted. Due to the 50-minute time constraint, the assessments typically occupy 2 class periods. For example, module six includes chapters 17 through 20. The assessment given in the first class of the module covers chapters 17 and 18 and the assessment in the next class covers chapters 19 and 20. The first application exercise is given in the following class. The initial exercise for each module is structured to fit within the 50-minute class time. Subsequent exercises are designed to increase in complexity and will be completed over multiple classes, usually with one class devoted to discussion and sharing of

research findings within teams and one class devoted to team decision and reporting to the class. In Spring 2008, the class time was changed to 75 minutes meeting two times per week. The extended meeting time is a definite improvement over the 50-minute schedule.

None of the students in the Spring 2007 or the Spring 2008 class had experience with TBL before. The first day of class is devoted to team appointment and a team building exercise. Students learnt about the TBL pedagogy, course expectations and factors that promote successful teamwork, beginning with the team formation process. The instructor immediately “applied” these teamwork concepts. Students provided biographic and academic data, such as credits completed, prior finance, economics and statistics courses taken, GPA (optional), work experience, and the instructor demonstrated that team appointments will balance the assets and liabilities of each team. For example, in Spring 2008 there were 3 junior students with only one prior finance course (the introductory course) and all other students have taken at least 3 finance courses. On the other hand, these 3 students took macroeconomics more recently and might be more familiar with monetary theories. The instructor also avoided assigning students sitting together to the same team to minimize pre-existing subgroups. Students were receptive to the team appointment process, probably due to its transparency and they saw that it followed directly what they just learnt about effective team building. The teams did a fun exercise that helped break the ice and began forming team identities. On the second day, students were given a “trial” assessment based on materials from the introductory finance course. Since this a pre-requisite for the Financial Institutions Management course, no formal studying should be required. The assessment included 8 questions covering time value of money, efficient market hypothesis, stock and bond valuation and asset pricing models. The trial assessment contained fewer questions than a regular assessment to provide time for students to learn how the process works.

The assessment was first given to individual students. After individual results were collected, students worked on the same questions as teams. During team assessment, students used their notes/answers from their individual assessments but both tests were “closed book”. The teams received immediate feedback on their answers. Teams received full credit if they got the correct answer on the first attempt, 50% if they got the answer on the second attempt, and 25% on the third attempt. In the next step of the assessment process, each team may appeal any questions that were considered incorrect on the team test. Appendix B describes the appeal procedure and contains the appeal form used in this course. Students can appeal on 3 tenets: (1) ambiguity in the reading materials, (2) disagreement between the reading material and the “correct” answer, and (3) ambiguity in the wording of the question. The purpose of the appeal process is to further encourage students to utilize and reference reading materials. A direct benefit of the test and appeal process is that they reveal concepts not understood by students, thus the instructor can use the last part of the class time to focus on the most challenging part of the reading assignments. Having a trial assessment helps students learn the procedure of the assessment and lessens fears students may have on an unfamiliar pedagogy.

The third day of class, when add/drop ended, team memberships were finalized and students worked on their first team project – determining the grade distribution. First students worked within their own team for about half the class period. Then all the teams reported simultaneously. In this course, they put the grade distribution on poster paper on the walls at the signal of the instructor. The last part of the exercise was inter-team deliberations and discussions. For this exercise, a final decision must be reached. Students discussed openly the grading attributes of different course elements: individual assessments, team assessments, application exercises, individual final exam and peer evaluation. Team cohesion began to form

as each team defended their own grade distributions which were posted on the wall. Class identity also emerged as the teams negotiated and compromised to reach a consensus. The fourth class began the readiness assessment for the first module. Thus, students had one week to review the reading assignments on their own time before the first assessment. The assessment revealed any concepts that students did not fully understand. If necessary, following the assessment, the instructor gave a brief lecture focusing on these concepts. The next phase is the application exercises through which students can achieve higher learning.

## TEAM APPLICATION EXERCISES

Michaelsen, Knight and Fink (2004) recommend that to promote teamwork, instead of a simple compilation of individual work, team exercises should require each team to make a specific decision or choice. To illustrate, one of the modules of the course is the mortgage market. The subprime mortgage crisis dominated the news during Spring 2008 and provided an abundant amount of potential materials for application exercises. Appendix C included the 2 exercises developed for this module. The first exercise is simple and straight forward. In class, students read a short *Wall Street Journal* article, “Magnifying the Credit Fallout,” which argued that using market value instead of book value actually magnified, not stabilized as financial theories predicted, credit problems ignited by subprime mortgage troubles in the late 2000’s. The task for the students was to decide if their team agree or disagree with the article. The grading rubrics helped guide students to consider important issues in their decision process. Students could divide up the task of researching the textbook or online. However, all members of the team deliberated to reach a consensus decision. By stating their positions, each team became “invested” in their decision. The teams reported their decisions and rationales on poster papers simultaneously. Two teams agreed with the article and one team disagreed. Each team then

evaluated the other teams using the grading rubrics. During class discussion, the teams had a great debate on the merits of book value versus market value for financial assets and whether these attributes changed in times of crisis. Students understood that there was no perfection solution to the valuation dilemma and had better appreciation for the varying degree of quality of financial statements.

The second exercise was more complex and students needed to study the reading materials outside of class. The task for the students was to rank the recommendations by the President's Working Group on Financial Markets released in March 2008. Given the complexity of the exercise, students devoted one class session to working on the rankings and rationales within their own team and in the following session they did team reporting, reciprocal evaluations, and class discussion. Such a complex assignment would be difficult for undergraduate level students to tackle individually. With the TBL pedagogy, students become accustomed to reading materials on their own, allowing class time to be dedicated to understanding and applying concepts to practical situations. Another advantage is that the instructor is available during class time as an additional resource when students have questions or sometimes get "stuck" during team deliberations. The greatest benefit is probably the quality of class discussions after each team has reported. Every student is engaged because their decisions and rationales are posted on the wall. Since they have considered many perspectives during team deliberation, class discussions quickly focus on the key issues and challenges. For example, in the second exercise, the longest debate was on the costs of regulation compliance and monitoring versus protection for the individual loan consumers and investors.

## RESULTS FROM ASSESSMENTS

Though benefits of the TBL pedagogy and evidence of student learning have been revealed during the application exercises, results from the assessments provide further

confirmation. As stated earlier, students first take the assessments individually and then answer the same questions as teams. The entire assessment is “closed book.” Since students have the same resources and degree of preparation for both assessments, any improvement in team scores over the highest individual scores is clear indication that learning occurred during team discussions. Table 1 contains the summary statistics for the assessments given in Spring 2008. The semester average scores for individual students ranged from 47 to 71. Scores for teams were consistently higher than the scores for individuals and average 78 for the semester, representing a 35% improvement over individual scores. The numeric scores provide objective affirmation of the positive effects of team learning. The more heartening experience was listening to the deliberations, which included informed inputs and thoughtful questionings of whether an argument “makes sense”. Many times in the semester, a student would exclaim to the effect, “Oh! That’s what the book meant,” when deliberating a question.

Table 2 compares student scores from the 2 semesters (2007 and 2008) taught using the TBL approach versus prior semesters (2004-6). The purpose of Table 2 is not to demonstrate statistical significance, but rather to provide a context for interpreting the assessment results from 2007 and 2008. The class average and median scores for individual students are lower in 2007 and 2008 compared to prior semesters. This result is not surprising given that in prior semesters students were given lectures and homework before assessments. The interesting data are the average and median scores for teams, which are higher than those for individual students from prior semesters. The highest scores of individual students in prior semesters are better than the highest scores of teams, perhaps suggesting that the best students benefit from lectures and homework. Unfortunately the lowest scores of individual students are similar across semesters. This is perhaps not too surprising since these are probably the same students who missed lectures

and homework the most. On the other hand, even the “weak” students contributed during team discussions.

For comparability, team scores in Tables 1 and 2 represent correct scores on the first attempt. As described earlier, during team assessments, teams received partial credit for correct answers on the second and third attempts. Table 3 presents teams scores on the first, second and third attempts by modules. Modules 1 and 2 included mostly basic materials and teams were able to identify all the correct answers by the third attempt. Modules 3 and 4 contained more advanced materials and team scores were less than perfect. However, after reviewing the teams’ responses, the instructor only needed to cover in depth about 10-15% of the reading materials. Overall the assessment results support positive learning results in this course taught with the TBL approach.

## CONCLUSIONS

This paper introduced a pedagogical approach, Team-Based Learning, which has the potential to engage students in learning more complex concepts and provide opportunities for practicing leadership and teamwork skills at the same time. Feedbacks from students were very positive when a Financial Institutions Management course was redesign to adopt the TBL approach. Direct observation during team exercises and class discussions showed that students were learning and applying complex financial and economic theories. Individual assessments confirmed that students were able to learn basic concepts through reading materials outside of class. Results from team assessments demonstrated that incremental learning occurred during team deliberations and team scores revealed synergetic effects. Comparing student performance

from prior semesters, which primary used lectures, discussions and homework, showed that even the weakest students learnt at least as much under the TBL approach.

The biggest challenges of adopting TBL were overcoming hesitations of students, particularly those with bad group experiences in other classes, and absenteeism, which was disruptive to team work. Devoting the first 2 class meetings to explaining TBL, providing a practice assessment and the grade distribution exercise appeared to be sufficient to persuade the hesitant students. Interestingly, when teams were well-developed, absenteeism was actually less than in prior semesters. There was a strong sense of team loyalty and class unity. When unavoidable absences occurred, such as illness or job interviews, students informed their team members and e-mailed their contributions whenever possible. Overall, the experience of adopting the TBL approach for the financial institutions management course was satisfying to both students and instructor. The main objectives, that of engaging students in more complex discussions and applying finance theories to address actual problems, are achieved.

**Table 1**

**Student Performance Statistics for the Financial Institutions Management Course in Spring 2008**

	Team	Average Individual Score	Average Team Score*	Average Improvement	Improvement over individual score
Student 1	Team 2	47	78	31	68%
Student 2	Team 1	49	86	37	76%
Student 3	Team 2	51	78	27	52%
Student 4	Team 3	53	70	16	30%
Student 5	Team 3	55	70	15	28%
Student 6	Team 2	55	78	23	43%
Student 7	Team 2	56	78	22	40%
Student 8	Team 3	57	70	12	22%
Student 9	Team 1	59	86	27	45%
Student 10	Team 3	60	70	9	15%
Student 11	Team 1	60	86	26	42%
Student 12	Team 1	64	86	22	35%
Student 13	Team 3	64	70	6	9%
Student 14	Team 1	69	86	17	25%
Student 15	Team 2	71	78	7	10%
Class Average		58	78	20	36%
Class Medium		57	78	22	35%
Class Maximum		71	86	37	76%
Class Minimum		47	70	6	9%

\* Average team score with no partial credits for second or third attempts.

**Table 2**

**Comparative Student Performance from Semesters Using the Team-Based Learning Pedagogy versus Semesters Using Primarily Lecture and Class Discussion Format**

	Term	Class Average	Class Medium	Class Maximum	Class Minimum	Number of Students ( <i>Teams</i> )
Average Scores of Individual Students	2008*	58	57	71	47	15
	2007*	65	62	73	57	5
	2006~	66	76	88	30	13
	2005~	69	72	86	47	9
	2004~	70	69	90	47	7
<i>Average Scores of Teams</i>	<i>2008</i>	<i>78</i>	<i>78</i>	<i>86</i>	<i>70</i>	<i>3</i>
	<i>2007</i>	<i>85</i>	<i>85</i>	<i>85</i>	<i>85</i>	<i>1</i>

\*Course taught using Team-Based Learning

~Course taught using lectures and class discussions

**Table 3****Incremental Team Performance from Immediate Feedback**

	Scores for Module 1	Scores for Module 2	Scores for Module 3	Scores for Module 4	Average Score for All Modules
<b>Correct Responses on First Attempt by Teams</b>					
Team 1	78	83	76	48	70
Team 2	78	89	92	56	78
Team 3	78	78	88	96	86
<i>Class Average</i>	<i>78</i>	<i>83</i>	<i>85</i>	<i>67</i>	<i>78</i>
<b>Correct Responses on Second Attempt by Teams</b>					
Team 1	17	11	8	28	16
Team 2	17	6	4	28	14
Team 3	22	17	0	0	10
<i>Class Average</i>	<i>19</i>	<i>11</i>	<i>4</i>	<i>19</i>	<i>13</i>
<b>Correct Responses on Third Attempt by Teams</b>					
Team 1	6	6	4	20	9
Team 2	6	6	0	4	4
Team 3	0	6	0	0	1
<i>Class Average</i>	<i>4</i>	<i>6</i>	<i>1</i>	<i>8</i>	<i>5</i>
<b>Correct Responses with All Attempts Combined</b>					
Team 1	100	100	88	96	96
Team 2	100	100	96	88	96
Team 3	100	100	88	96	96
<i>Class Average</i>	<i>100</i>	<i>100</i>	<i>91</i>	<i>93</i>	<i>96</i>

## REFERENCES

- Ashraf, M., 2004, "A Critical Look at the Use of Group Projects as a Pedagogical Tool." *Journal of Education for Business*, 79, pp. 213-216.
- Bacon, D., Stewart, K. and Silver, W., 1999, "Lessons from the Best and Worst Student Team Experiences: How a Teacher Can Make a Difference." *Journal of Management Education*, 23, pp. 467-488.
- Brooks, C. and Ammons, J., 2003, "Free Riding in Group Projects and the Effects of Timing, Frequency, and Specificity of Criteria in Peer Assessments." *Journal of Education for Business*, 78, pp. 268-272.
- Chen, G., Donahue, L. and Klimoski, R., 2004, "Teaching Undergraduates to Work in Organizational Teams." *Academy of Management Learning and Education*, 3, 27-40.
- Coplin, W., 10 Things Employers Want You to Learn in College: The Know-How You Need to Succeed. Berkeley, CA: Ten Speed Press.
- Hansen, R., 2006, "Benefits and Problems with Student Teams: Suggestions for Improving Team Projects." *Journal of Education for Business*, 81, pp. 11-19.
- Hernandez, S., 2002, "Team Learning in a Marketing Principles Course: Cooperative Structures that Facilitate Active Learning and Higher Level Thinking." *Journal of Marketing Education*, 24, pp. 73-85.
- Laverie, D., 2006, "In-class Active Cooperative Learning: A Way to Build Knowledge and Skills in Marketing Courses." *Marketing Education Review*, 16/2, pp. 59-76.
- Mannix, E. and Neale, M., 2005, "What Differences Make a Difference? The Promise and Reality of Diverse Teams in Organizations." *Psychological Science In The Public Interest*, 6/2, pp. 31-55.
- McAlister, D., 2006, "The Project Management Plan: Improving Team Process and Performance." *Marketing Education Review*, 16/1, pp.97-103.
- Michaelsen, L., Knight, A. and Fink, D., 2004, *Team-Based Learning*. Sterling, VA: Stylus.
- Page, D. and Donelan, J., 2003, "Team-building tools for students." *Journal of Education for Business*, 78, 125-128.
- Rassuli, A. and Manzer, J., 2005, "Teach Us to Learn: Multivariate Analysis of Perception of Success in Team Learning." *Journal of Education for Business*, 80, pp. 21-27.
- Roebuck, D. 1998, "Using Team Learning in Business and Organizational Communication Classes." *Business Communication Quarterly*, 61/3, pp. 35-49.

## APPENDIX A

### **Course Description:**

This course examines the economic and legal environment and key factors affecting the management of financial institutions. The effects of the implementation of central bank policies on the operations of commercial banks and other financial institutions are discussed. Emphasis will be placed on the principal means by which these policies achieve their objectives, open market operations, discount rate changes and reserve requirement changes. The impacts of changes in legislation, technology, and product innovations on financial institutions are examined. Financial instruments and services provided by these institutions are also considered.

### **Global Goals:**

- Provide students with an understanding of the economic and legal environments in which financial institutions operate.
- Provide students with an understanding of government institutions, regulations and policies and their impacts on financial institutions.
- Help students gain competence in applying these theories and principles in managing financial institutions.
- Help students improve problem solving and team work skills.
- Help students develop analytical and ethical decision making skills.

### **Learning Outcomes:**

Students successfully completed this course will be able to:

- Distinguish the characteristics of different financial instruments and financial markets.
- Select appropriate financial instruments and markets for specific applications.
- Explain interest rate theories and understand the process of interest rate forecasting.
- Forecast interest rate in a given economic and political environment.
- Explain the role of the Federal Reserve.
- Explain monetary theories and policies.
- Estimate the impacts of Federal Reserve policies on the economy and interest rates and their implications on the management of financial institutions.
- Explain regulations on financial institutions and identify opportunities and constraints imposed by such regulations.
- Identify interest rate risk and apply appropriate risk management methods for financial institutions. Tools for identifying interest rate risk include calculating GAP, Duration, Duration GAP, regression analysis.
- Explain the security offering process and identify the role of financial institutions.
- Distinguish different types of transactions and instruments/products in financial markets.
- Calculate the profit/loss of different transactions, including margin requirement and margin call price.

## APPENDIX B

### Readiness Assessment Appeals Instructions

Purposes of the appeals process:

- Clarify uncertainty about your understanding of the concepts.
- Give additional recognition and credit when “missing” a question was caused by:
  1. Ambiguity in the reading material.
  2. Disagreement between the reading material and our choice of the “correct” answer.
  3. Ambiguity in the wording of the question.

Guidelines for preparing successful appeals:

Appeals are granted when you demonstrate in writing that you understood the concept(s) but missed the question due to ambiguity in the reading material or in the question.

If the appeal is based on ambiguity in the reading material you should:

1. Identify the source(s) of ambiguity from the reading material and,
2. Specify references from the reading material to support your point of view.

If the appeal is based on disagreement with the instructor provided answer, you should:

1. State the reason(s) for disagreeing with the provided answer and,
2. Specify references from the reading material to support your point of view.

If the appeal is based on ambiguity in the wording of the question, you should:

1. Identify the source of ambiguity in the question and,
2. Offer an alternative wording that would have helped you to avoid the problem.

Impact of appeals on test scores:

When an appeal is accepted on a question that a group has missed (no individual appeals will be accepted):

1. It “counts” i.e., the points missed will be added to:
  - their group score.
  - the score of any individual in the group who answered the same as the group
  - only those groups that appeal.
2. Group member(s) who had the original correct answer will continue to receive credit on the question.

## APPENDIX C

### Module 4 - Team Application Exercise 1 – Market Value versus Book Value

Many finance textbooks advocate market value as a better measurement than book value. However, a Wall Street Journal article (3-8-08 A2), “Magnifying the Credit Fallout,” argues that using market value instead of book value actually magnified, not stabilized as theories predicted, credit problems ignited by subprime mortgage troubles in the late 2000’s.

Do you agree or disagree with the Wall Street Journal article?

#### Grading Rubrics:

Objective/Criteria	Performance Indicators		
	Need Improvement	Meet Expectations	Exceptional
Provide reasons for agreement or disagreement with WSJ article	(0 points) No reasons provided	(20 points) 1-3 reasons	(40 points) 4+ reasons
Reasons based on financial theories concerning book value and market value	(0 points) Did not consider advantages or disadvantages of MV or BV	(20 points) 1-4 advantages and disadvantages of MV and BV	(40 points) Clearly identify 1-2 advantages and 1-2 disadvantages of MV and BV
Reasons include considerations of evaluation time horizon and market volatility	(0 points) Did not consider evaluation time horizon and market volatility	(20 points) Advantages and disadvantages are clearly linked to evaluation time horizon or market volatility	(40 points) Advantages and disadvantages are clearly linked to both evaluation time horizon and market volatility
			out of 120

## Module 4 – Team Application Exercise 2 – Mortgage Regulations

### Background reading materials:

1. Policy Statement on Financial Market Developments. (President’s Working Group on Financial Markets, March 2008)
2. Proposed Rule to Amend Home Mortgage Provisions of Regulation Z by the Fed. (March 2008)
3. Research report from individual students.

The President’s Working Group on Financial Markets made the following 5 sets of recommendations:

- I. Reform key parts of the mortgage origination process in the United States;
- II. Enhance disclosure and improve the practices of sponsors, underwriters and investors with respect to securitized credits;
- III. Reform credit rating agencies’ processes for rating structured credit products and reform their practices to ensure integrity and transparency;
- IV. Strengthen risk management and reporting practices of global financial institutions
- V. Ensure that prudential regulatory policies applicable to banks and securities firms, including capital and disclosure requirements, provide strong incentive for effective risk management practices

Rank these 5 sets of recommendations

- a. in order of impact/significance in addressing the issues listed on pages 1-2 of the Policy Statement on Financial Market Developments.
- b. in order of potential resistance by lobbyist groups
- c. in order of estimated implementation costs

### Grading Rubrics:

Objective/Criteria	Performance Indicators		
	Need Improvement	Meet Expectations	Exceptional
Ranking of Potential Impact	(0 points) No ranking	(20 points) Ranking Provided	N/A
Ranking of Potential Resistance	(0 points) No ranking	(20 points) Ranking provided	N/A
Rationales for rankings of impact and potential resistance	(10 points) Advantages/disadvantages from the perspective of 1-2 constituents for 1-2 recommendations	(20 points) Advantages/disadvantages from the perspective of 1-2 constituents for all 5 recommendations	(30 points) Advantages/disadvantages from the perspective of 3+ constituents for all 5 recommendations
Ranking of estimated implementation costs	(0 points) No ranking	(20 points) Ranking provided	N/A
Analyzing implementation costs	(10 points) Implementation costs are discussed for 1-2 recommendations	(20 points) Implementation costs are discussed for 3-4 recommendations	(30 points) Implementation costs are discussed for all 5 recommendations
			out of 120