



# AFIN310

## Issues in Applied Finance

S2 Evening 2014

*Applied Finance and Actuarial Studies*

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#### **Disclaimer**

Macquarie University has taken all reasonable measures to ensure the information in this publication is accurate and up-to-date. However, the information may change or become out-dated as a result of change in University policies, procedures or rules. The University reserves the right to make changes to any information in this publication without notice. Users of this publication are advised to check the website version of this publication [or the relevant faculty or department] before acting on any information in this publication.

## General Information

Unit convenor and teaching staff

Unit Convenor

Lurion De Mello

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E4A 515

Mon 4.30-5.30pm

Angela Chow

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Credit points

3

Prerequisites

3cp in ACST or AFIN units at 300 level

Corequisites

Co-badged status

Unit description

Most lectures in this unit are presented by leading practitioners from the finance industry and some by experienced faculty members from Macquarie and other universities. The unit looks at a range of applied issues in finance, insurance, banking and economics that one might encounter in graduate careers or in a high-level position. The aim of this unit is to gain an understanding of how theory and practice mesh in the real world of financial markets.

Previous topics covered include: legal issues surrounding financial services and financial products (eg, ASIC's RG146, carbon trading and other guidelines); equity valuation; venture capital; managing market risk; mergers and acquisitions; funds management; credit risk modelling; global portfolio management; behavioural finance/accounting; project finance modelling in MS Excel; and risk and insurance. Our speakers have come from renowned institutions and companies such as DLA Piper, Precept Investment and Actuaries, MaCap Advisors (Macquarie Bank), Westpac Institutional Bank, and Lonegan and Edwards.

## Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at <https://www.mq.edu.au/study/calendar-of-dates>

## Learning Outcomes

On successful completion of this unit, you will be able to:

Apply economic and finance theories to practical situations or problems.

Understand the limitations of theories and techniques in finance and in particular be aware of the assumptions upon which the theory and practice is based.

Become exposed to and gain some working knowledge of how models are implemented in MS Excel with particular emphasis on how these are modified for use within different areas of finance and banking.

Learn the financial planning process in Australia with respect to setting up financial goals, managing superannuation and being aware of some of the case studies involving scandals in the financial planning industry in Australia.

Understand how financial institutions are run and the influence of the legal and regulatory environment.

Understand alternative sources of capital and have a good knowledge about private equity and venture capital markets and the latest area of interest to venture capitalists.

## General Assessment Information

Please note that students will have a limited opportunity to ask questions regarding the assignments should they need some clarifications. These questions should be posted on the relevant discussion thread on iLearn as questions posted on other threads might be missed. The opportunity to post queries to the guest lecturers and other academic staff will close 5 days prior to the assignment due date. However, students will be able to continue posting on the thread but the questions will not be answered by any of the academic staff including the teaching assistant. You are free to discuss matters amongst yourselves.

Please read the assignment question carefully and start planning early. Replies to online posts and emails will be responded to within 48hrs however we will only be responded to them during work hours. Repeated questions will not be answered so please read the previous postings carefully.

No extensions will be granted. Late tasks will be accepted up to 72\* hours after the submission deadline. There will be a deduction of 20%\* of the total available marks made from the total awarded mark for each 24 hour period or part thereof that the submission is late (for example, 25 hours late in submission – 40% penalty). This penalty does not apply for cases in which an application for disruption to studies is made and approved.

Any emails after the completion of the final exam might not be responded to if the student claims to have not fared well or if the student requests the outcome of the final grade prior to the official release of grades by the university.

## Assessment Tasks

| Name              | Weighting | Due                       |
|-------------------|-----------|---------------------------|
| <u>Assignment</u> | 20%       | 3rd September 2014        |
| <u>Assignment</u> | 30%       | 15th of October 2014      |
| <u>Final Exam</u> | 50%       | See Examination Timetable |

### Assignment

Due: **3rd September 2014**

Weighting: **20%**

The assignment will be discussed by the guest lecturer.

**This task will be completed individually.** The formatting and structure of the assignment will be discussed by the guest lecturer and any additional information will be communicated via an ilearn announcement.

If the assignment report demonstrates extensive work, but is poorly written then you will lose marks.

You will only need to submit a **soft copy** via Turnitin link provided on the course page in iLearn. Your assessment and the mark will be returned to you via Grade Mark within the courses ilearn space.

On successful completion you will be able to:

- Apply economic and finance theories to practical situations or problems.
- Understand the limitations of theories and techniques in finance and in particular be aware of the assumptions upon which the theory and practice is based.
- Understand how financial institutions are run and the influence of the legal and regulatory environment.

### Assignment

Due: **15th of October 2014**

Weighting: **30%**

The assignment will comprise of two sections. Please ensure you have two separate files for each of the sections. You can save the files by simply naming them as Section A.doc and Section B.doc.

**This task will be completed individually.** The formatting and structure of the assignment will be discussed by the guest lecturers and more information will be communicated via an ilearn announcement after the assignment is discussed in the lecture.

You will need to submit a **soft copy of the written material** via the Turnitin link and an additional link will be provided so you can upload any MS Excel files.

On successful completion you will be able to:

- Apply economic and finance theories to practical situations or problems.
- Understand the limitations of theories and techniques in finance and in particular be aware of the assumptions upon which the theory and practice is based.
- Become exposed to and gain some working knowledge of how models are implemented in MS Excel with particular emphasis on how these are modified for use within different areas of finance and banking.
- Understand alternative sources of capital and have a good knowledge about private equity and venture capital markets and the latest area of interest to venture capitalists.

## Final Exam

Due: **See Examination Timetable**

Weighting: **50%**

The final exam will be on all the topics and will consist of multiple choice and written components.

*"You are permitted ONE A4 page of paper containing reference material printed on both sides. The material may be handwritten or typed. The page will not be returned at the end of the final examination."*

*"To be eligible to pass this unit, a pass is required in the final examination"*

If you are granted a disruption to studies for the final exam then the mix of topics in the supplementary assessment might be different to the ones allocated to the normal end of semester examination.

Supplementary assessment will only take place during the supplementary examination period.

On successful completion you will be able to:

- Apply economic and finance theories to practical situations or problems.
- Understand the limitations of theories and techniques in finance and in particular be aware of the assumptions upon which the theory and practice is based.
- Become exposed to and gain some working knowledge of how models are implemented in MS Excel with particular emphasis on how these are modified for use within different areas of finance and banking.
- Learn the financial planning process in Australia with respect to setting up financial goals, managing superannuation and being aware of some of the case studies involving scandals in the financial planning industry in Australia.

- Understand how financial institutions are run and the influence of the legal and regulatory environment.
- Understand alternative sources of capital and have a good knowledge about private equity and venture capital markets and the latest area of interest to venture capitalists.

## Delivery and Resources

### Changes Since the Last Offering of this Unit

There are now two individual assignments worth 50% in total and the final exam is 3 hrs and worth 50%. The double pass rule applies.

## Classes

Lecture: **W2.4A Macquarie Theatre on Monday's 6 – 9pm**

The campus map can be downloaded from the following link [http://www.ofm.mq.edu.au/maps\\_campus.html](http://www.ofm.mq.edu.au/maps_campus.html)

The timetable for classes can be found on the University web site <https://timetables.mq.edu.au/2014/>

Classes in AFIN310 are composed of a three hour lecture. Unit materials are learnt by attending lectures and through independent learning. The lectures provide a general overview of the topics highlighting a number of concepts and techniques. Students are strongly advised to study any additional reading material provided by the unit convenor, the guest lecturers and further explore all relevant concepts and techniques.

Students should attend a three-hour lecture every week. Lecture slides will sometimes be available prior to the lecture on iLearn and in some instances after the lecture. They will be distributed at the discretion of the guest lecturer.

The lecture recording (audio and video) will also be available via Eco360 (approximately 1 hr after the end of the lecture). Please see the Eco360 link in your course iLearn page.

## Prizes

The Financial Services Institute of Australasia, FINSIA, has kindly sponsored a prize of \$500 for the most outstanding student in AFIN310.

## Required and Recommended Texts and/or Materials

There are no required or recommended texts for AFIN310. Notes for each of the lectures will be made available in iLearn. If required, additional readings will also be provided either via iLearn and eReserve.

## Technology Used and Required

iLearn is an online program available at <https://ilearn.mq.edu.au/login/MQ/> through which students will be able to access resources such as lecture notes and ilectures to assist them

throughout the semester. The discussion forum environment will be extensively used to allow students to interact with each other.

### **Unit Web Page**

Course material is available on the learning management system at <http://ilearn.mq.edu.au>

You are strongly encouraged to regularly visit the website and use it as a resource centre to assist with your learning.

If you are unable to access the website because you are not aware of or have forgotten your username and password, please contact the IT helpdesk. All information can be found at <http://informatics.mq.edu.au/help/>

With regards to assistance in using iLearn please visit the following link.

[http://www.mq.edu.au/iLearn/student\\_info/index.htm](http://www.mq.edu.au/iLearn/student_info/index.htm)

You can follow the tabs on the left, i.e., “Getting Started” and “Access iLearn”

Please remember to log out when you have finished using iLearn. Failure to do so could result in unauthorised access to your iLearn account.

## **Learning and Teaching Activities**

The teaching strategy in AFIN310 recognises that students learn independently and assume responsibility for the learning process and with academic integrity.

Students are expected to participate in the unit by attending lectures, reading the provided material and thoroughly revising the lecture notes. You are also expected to use the full suite of research databases available from the library. This includes reference to journal articles and industry reports.

What we aim to achieve in AFIN310 is deep (as opposed to surface) learning. Thus, learning is interpreted as making sense or abstracting meaning. Learning involves relating parts of the subject matter to each other and to the real world. Further learning is understood as comprehending the world by understanding and re-interpreting knowledge.

This unit also gives you the opportunity to go beyond your discipline and exposes you to different areas of finance, including discussion of the latest financial regulation from ASIC and other bodies that will become essential when starting your career in the workforce.

## **Unit Schedule**

| Week               | Lecturer and Topic (Please note that due to unforeseen circumstances some topics and guest lecturer's might change)            |
|--------------------|--|
| Week 1<br>4th Aug  | Nidal Danoun (Principal Director of Prosperity Financial Services Pty Ltd)<br><b>Regulatory and Compliance Issues (Part 1)</b> |
| Week 2<br>11th Aug | Nidal Danoun (Principal Director of Prosperity Financial Services Pty Ltd)<br><b>Regulatory and Compliance Issues (Part 2)</b> |

|                     |   |
|---------------------|---|
| Week 3<br>18th Aug  | Mr. Brendon Blacker (Vice President, Macquarie Capital Advisors)<br><b>Venture Capital Investments (Part 1)</b>   |
| Week 4<br>25th Aug  | Mr. Michael McCarthy (Chief Market Strategist, CMC Markets Australia)<br><b>Markets and Trading Strategy</b>  |
| Week 5<br>1st Sept  | Richard Lawson (Senior Data Analytics Consultant at CIFR and former Fund Manager at Schroders)<br><b>Alpha strategies from a quantitative perspective</b>             |
| Week 6<br>8th Sept  | Mr David Beaton (Investment Manager, John Liang)<br><b>Project Finance (Part 1)</b>   |
| Week 7<br>15th Sept | Mr David Beaton (Investment Manager, John Liang)<br><b>Project Finance (Part 2)</b>   |
|                     | Mid -Semester Break (Monday 22nd September - Monday 6th Oct)  |
| Week 8<br>6th Oct   | No Class - Labour Day.  |
| Week 9<br>13th Oct  | Anthony Passe-de Silva (Australian Equity Research, JP Morgan Sydney)<br><b>Business and Industry Analysis</b>  |
| Week 10<br>20th Oct | Ms Claire McKay (Director at Qantum Financial)<br><b>Financial Planning (Part 1)</b>  |
| Week 11<br>27th Oct | Ms Claire McKay (Director at Qantum Financial)<br><b>Financial Planning (Part 2)</b>  |
| Week 12<br>3rd Nov  | Mr. Mark Hancock (Precept Investment Actuaries Pty Ltd) Ms Kimberly Kishore (Senior Analyst: Precept Investment Actuaries Pty Ltd)<br><b>Equity Analysis (Part 1)</b> |
| Week 13<br>10th Nov | Mr. Mark Hancock (Precept Investment Actuaries Pty Ltd) Ms Kimberly Kishore (Senior Analyst: Precept Investment Actuaries Pty Ltd)<br><b>Equity Analysis (Part 2)</b> |

## Learning and Teaching Activities

### Lectures

Lectures – Large group learning (3 hours for each teaching week) Lectures are intended to provide an overview of conceptual frameworks and issues in applied finance that are critical to the core themes of the unit.



## Independent learning

Independent learning – learning by doing (about 6 hours each teaching week and 9 hours each week during the 2-week mid-semester recess) AFIN310 relies heavily on independent learning where students read the relevant material, listen to lectures, revise the lecture notes, participate in iLearn discussion forums and extend themselves by doing additional reading and research using the library online databases and data sources. Additionally students are expected to keep themselves abreast by reading key financial newspapers and referring to Factiva and Business Source Premier available online via the library databases. Students should also be able to work through the MS Excel help built into the program and online and from other websites directed from the MS Excel help search. Students should be able to demonstrate the comprehension of the assignment questions by being consistent in responding to the either exact or similar questions to the assignments in the final examination.

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](#). Students should be aware of the following policies in particular with regard to Learning and Teaching:

Academic Honesty Policy [http://mq.edu.au/policy/docs/academic\\_honesty/policy.html](http://mq.edu.au/policy/docs/academic_honesty/policy.html)

Assessment Policy <http://mq.edu.au/policy/docs/assessment/policy.html>

Grading Policy <http://mq.edu.au/policy/docs/grading/policy.html>

Grade Appeal Policy <http://mq.edu.au/policy/docs/gradeappeal/policy.html>

Grievance Management Policy [http://mq.edu.au/policy/docs/grievance\\_management/policy.html](http://mq.edu.au/policy/docs/grievance_management/policy.html)

Disruption to Studies Policy [http://www.mq.edu.au/policy/docs/disruption\\_studies/policy.html](http://www.mq.edu.au/policy/docs/disruption_studies/policy.html) *The Disruption to Studies Policy is effective from March 3 2014 and replaces the Special Consideration Policy.*

In addition, a number of other policies can be found in the [Learning and Teaching Category](#) of Policy Central.

## Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: [https://students.mq.edu.au/support/student\\_conduct/](https://students.mq.edu.au/support/student_conduct/)

## Academic Honesty

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- when the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at [http://www.mq.edu.au/policy/docs/academic\\_honesty/policy.html](http://www.mq.edu.au/policy/docs/academic_honesty/policy.html)

## Grades

**“To be eligible to pass this unit, a pass is required in the final examination”**

Macquarie University uses the following grades in coursework units of study:

- HD - High Distinction (85 - 100)
- D - Distinction (75 - 84)
- CR - Credit (65 - 74)
- P - Pass (50 - 64)
- F - Fail (0 - 49)

*“A Standardised Numerical Grade (SNG) gives you an indication of how you have performed within the band for your descriptive grade. The SNG is not a mark, and you may not be able to work it out based on your raw examination and other assessment marks. Nor are you able to determine you are “one mark away” from a different grade.”*

Grade descriptors, an example of a SNG and other information concerning grading are contained in the Macquarie University Grading Policy which is available at:

<http://www.mq.edu.au/policy/docs/grading/policy.html>

## Grading Appeals and Final Examination Script Viewing

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

[http://www.businessandconomics.mq.edu.au/new\\_and\\_current\\_students/undergraduate\\_current\\_students/how\\_do\\_i/grade\\_appeals/](http://www.businessandconomics.mq.edu.au/new_and_current_students/undergraduate_current_students/how_do_i/grade_appeals/)

## Disruption to Studies Policy

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is

available at:

[http://students.mq.edu.au/student\\_admin/exams/disruption\\_to\\_studies/](http://students.mq.edu.au/student_admin/exams/disruption_to_studies/)

*Supplementary Exams* Further information regarding supplementary exams, including dates, is available here [http://www.businessandconomics.mq.edu.au/current\\_students/undergraduate/how\\_do\\_i/special\\_consideration](http://www.businessandconomics.mq.edu.au/current_students/undergraduate/how_do_i/special_consideration)

## Student Support

Macquarie University provides a range of support services for students. For details, visit <http://students.mq.edu.au/support/>

### Learning Skills

Learning Skills ([mq.edu.au/learningskills](http://mq.edu.au/learningskills)) provides academic writing resources and study strategies to improve your marks and take control of your study.

- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module for Students](#)
- [Ask a Learning Adviser](#)

## Student Services and Support

Students with a disability are encouraged to contact the [Disability Service](#) who can provide appropriate help with any issues that arise during their studies.

## Student Enquiries

For all student enquiries, visit Student Connect at [ask.mq.edu.au](http://ask.mq.edu.au)

## IT Help

For help with University computer systems and technology, visit <http://informatics.mq.edu.au/help/>.

When using the University's IT, you must adhere to the [Acceptable Use Policy](#). The policy applies to all who connect to the MQ network including students.

## Graduate Capabilities

### Capable of Professional and Personal Judgement and Initiative

We want our graduates to have emotional intelligence and sound interpersonal skills and to demonstrate discernment and common sense in their professional and personal judgement.

They will exercise initiative as needed. They will be capable of risk assessment, and be able to handle ambiguity and complexity, enabling them to be adaptable in diverse and changing environments.

This graduate capability is supported by:

## **Learning outcomes**

- Apply economic and finance theories to practical situations or problems.
- Understand the limitations of theories and techniques in finance and in particular be aware of the assumptions upon which the theory and practice is based.
- Become exposed to and gain some working knowledge of how models are implemented in MS Excel with particular emphasis on how these are modified for use within different areas of finance and banking.
- Learn the financial planning process in Australia with respect to setting up financial goals, managing superannuation and being aware of some of the case studies involving scandals in the financial planning industry in Australia.
- Understand how financial institutions are run and the influence of the legal and regulatory environment.
- Understand alternative sources of capital and have a good knowledge about private equity and venture capital markets and the latest area of interest to venture capitalists.

## **Assessment tasks**

- Assignment
- Assignment
- Final Exam

## **Learning and teaching activities**

- Lectures – Large group learning (3 hours for each teaching week) Lectures are intended to provide an overview of conceptual frameworks and issues in applied finance that are critical to the core themes of the unit.
- Independent learning – learning by doing (about 6 hours each teaching week and 9 hours each week during the 2-week mid-semester recess) AFIN310 relies heavily on independent learning where students read the relevant material, listen to lectures, revise the lecture notes, participate in iLearn discussion forums and extend themselves by doing additional reading and research using the library online databases and data sources. Additionally students are expected to keep themselves abreast by reading key financial newspapers and referring to Factiva and Business Source Premier available online via the library databases. Students should also be able to work through the MS

Excel help built into the program and online and from other websites directed from the MS Excel help search. Students should be able to demonstrate the comprehension of the assignment questions by being consistent in responding to the either exact or similar questions to the assignments in the final examination.

## Discipline Specific Knowledge and Skills

Our graduates will take with them the intellectual development, depth and breadth of knowledge, scholarly understanding, and specific subject content in their chosen fields to make them competent and confident in their subject or profession. They will be able to demonstrate, where relevant, professional technical competence and meet professional standards. They will be able to articulate the structure of knowledge of their discipline, be able to adapt discipline-specific knowledge to novel situations, and be able to contribute from their discipline to inter-disciplinary solutions to problems.

This graduate capability is supported by:

### Learning outcomes

- Apply economic and finance theories to practical situations or problems.
- Understand the limitations of theories and techniques in finance and in particular be aware of the assumptions upon which the theory and practice is based.
- Become exposed to and gain some working knowledge of how models are implemented in MS Excel with particular emphasis on how these are modified for use within different areas of finance and banking.
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## Critical, Analytical and Integrative Thinking

We want our graduates to be capable of reasoning, questioning and analysing, and to integrate and synthesise learning and knowledge from a range of sources and environments; to be able to critique constraints, assumptions and limitations; to be able to think independently and systemically in relation to scholarly activity, in the workplace, and in the world. We want them to have a level of scientific and information technology literacy.

This graduate capability is supported by:

### Learning outcomes

- Apply economic and finance theories to practical situations or problems.
- Understand the limitations of theories and techniques in finance and in particular be aware of the assumptions upon which the theory and practice is based.
- Become exposed to and gain some working knowledge of how models are implemented in MS Excel with particular emphasis on how these are modified for use within different areas of finance and banking.
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## Problem Solving and Research Capability

Our graduates should be capable of researching; of analysing, and interpreting and assessing data and information in various forms; of drawing connections across fields of knowledge; and they should be able to relate their knowledge to complex situations at work or in the world, in order to diagnose and solve problems. We want them to have the confidence to take the initiative in doing so, within an awareness of their own limitations.

This graduate capability is supported by:

## Learning outcomes

- Apply economic and finance theories to practical situations or problems.
- Understand the limitations of theories and techniques in finance and in particular be aware of the assumptions upon which the theory and practice is based.
- Become exposed to and gain some working knowledge of how models are implemented in MS Excel with particular emphasis on how these are modified for use within different areas of finance and banking.



- Learn the financial planning process in Australia with respect to setting up financial goals, managing superannuation and being aware of some of the case studies involving scandals in the financial planning industry in Australia.
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## **Changes from Previous Offering**

This unit now has 1 individual assignment worth 20% and 1 individual assignment worth 30% (With two parts, each worth 15%). The final exam will be worth 50% and will be 3hrs of duration.

## **Research and Practice**

This unit gives the students multiple group projects that require research from traditional journal type articles, industry reports published by third parties and also current government legislation supporting the finance and banking industry. It also exposes students in identifying key data



sources used by the industry in writing various stock/share recommendation and company valuation reports. This unit gives you opportunities to conduct your own research based on skills obtained from using MS Excel and from exposure to different financial products. Being at the forefront of the legal environment gives one the chance to remain vigilant when giving advice to clients. One can also apply valuations techniques in their personal investment decisions which might enhance the performance of their assets. Please note however that under no circumstances is neither Macquarie University nor the lecturer liable for any losses suffered from the application of investment techniques learnt in this subject.

## Changes since First Published

| Date       | Description                    |
|------------|--------------------------------|
| 14/01/2014 | The Prerequisites was updated. |