



AFIN837

Capital Markets

S1 Evening 2014

Applied Finance and Actuarial Studies

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General Information

Unit convenor and teaching staff

Unit Convenor

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Credit points

4

Prerequisites

ACST603 or AFIN858 or admission to MCom or MIntBus or MEc or MActPrac prior to 2011

Corequisites

Co-badged status

Unit description

This unit provides an overview of the operation of the capital markets in Australia. The financial institutions are described and the securities offered by these institutions are reviewed. Emphasis is placed on the financial instruments available to companies and investors from the equity, debt and derivative markets.

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:

Distinguish between various sectors of the financial market and the nature of the financial claims of the participants

Identify the factors responsible for trends in regulation, the role of and the growth in the sources and uses of funds of the banking sector and the non-bank financial institutions

Critically evaluate the relative merits of short term and long term debt and changes in the supply and demand for particular debt securities

Explain the characteristics of corporate funding sources and the processes involved in raising funds

Analyse the role of futures and options in the management of risk by the market

participants

Review the complex interactions between the banks, government and Reserve

Assessment Tasks

| Name | Weighting | Due |
|--------------------------|-----------|-------------------|
| <u>Class Test</u> | 25% | Week 7 |
| <u>Essay</u> | 25% | Week 11 |
| <u>Final Examination</u> | 50% | Final exam period |

Class Test

Due: **Week 7**

Weighting: **25%**

Mid-semester test (Week 7) 25%

The 90-minute mid-semester test is designed to help you consolidate your understanding of core concepts through Multiple Choice questions, thus helping you meet and monitor your progress in attaining learning objectives (1)-(3). This test will cover topics from the first 6 weeks of lectures and the associated reading materials. You are expected to present yourself for the test in Lecture7 at the enrolled time and place of your normal lecture.

If you couldn't attend the midterm test for a legitimate reason, the weight of the test will be added to your final exam mark.

On successful completion you will be able to:

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Essay

Due: **Week 11**

Weighting: **25%**

Essay worth 25% of the final mark. You should form a group of 3-4 members from your class in the first week of the lecture and elect a group leader. It is important for each group member to contribute substantially to the final submitted work. The responsibility of the group leader is to upload the report on behalf of the group to Turnitin on ilearn on week 11 (the cut-off point is Friday at 5PM). All group members are equally responsible for the entire submitted assignment. The team leader is also expected to maintain a weekly journal, registering the contribution of each team member during the week. The Journal must be submitted with the assignment in week 11. Extra evidence you wish to provide, such as tables and graphs must be placed in the text. They should be labelled and placed directly above or wrapped in the paragraph that they are discussed in. Do not put figures in the appendix, they will not be marked. The main body of your report should not exceed 3500 words, typed with *12-point font*, 1.5 spaced. A good essay shows research and clarity of argument. Essays that are not proof-read will be marked down.

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 special consideration is made and approved.

On successful completion you will be able to:

- Identify the factors responsible for trends in regulation, the role of and the growth in the sources and uses of funds of the banking sector and the non-bank financial institutions
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- Review the complex interactions between the banks, government and Reserve

Final Examination

Due: **Final exam period**

Weighting: **50%**

The final examination will be a 3-hour paper. All topics are examinable in the final examination. To be awarded a passing grade in this unit (SNG of 50% or higher) a student must pass the final exam (attain a mark of 50% or higher). The timetable for this exam will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations.

On successful completion you will be able to:

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- Critically evaluate the relative merits of short term and long term debt and changes in the supply and demand for particular debt securities
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Delivery and Resources

Classes

There are twelve lectures and one in-class Mid-Semester test conducted over thirteen weeks in the following classes.

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

It is an assessment requirement of this unit that students attend classes.

Required text and/or materials

C. Viney, Financial Institutions, Instruments and Markets, McGraw-Hill, Seventh edition, 2013. The textbook may be purchased from the Macquarie University Co-op Bookshop, and students are advised to buy the book to improve their understanding of the lectures.

Technology Used and Required

Non-programmable Calculators will be allowed in the mid-term test or the final exam. Students are advised to bring their calculators to class. You are expected to show all workings for your calculations. All calculations should be to two decimal places, and rounding should be left till the end. Excessive and premature rounding will be penalised.

Unit web page

The course material is available in <http://ilearn.mq.edu.au>. Students are advised to check the unit website regularly, and ensure that all material posted on the website can be accessed without difficulties. If you are unable to access any of the material on the website, check with your classmates first before notifying your lecturer of the problem.

Changes from the last offering

There have been no changes from the last offering.

Unit Schedule

| Lecture | Week Starting (Monday) | Topic | Readings |
|----------------------------|--------------------------------|--|---|
| 1 | 3 rd March 2014 | A modern financial system | Ch.1 andlecturenotes |
| 2 | 10 th March 2014 | Commercial banks | Ch.2andlecturenotes |
| 3 | 17 th March 2014 | Non-bank financial institutions | Ch.3andlecturenotes |
| 4 | 24 th March 2014 | The share market and corporations | Ch.4andlecturenotes |
| 5 | 31 st March 2014 | Issuingnewequity&investingintheshare market | Ch.5,Ch.6sections1-3and lecturenotes |
| 6 | 7 th April 2014 | Performance measurement, sharepricing& forecasting in equity market | Ch.6sections4-6,Ch.7andlecturenotes |
| Seession1 Break | | | |
| 7 | 28 th April 2014 | Mid –Semester Test (2 5 %) Ch.1 to 7 (To be confirmed) | |
| 8 | 5 th May 2014 | Short-term debt | Ch.9,andlecturenotes |

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|----|---------------------------|--|--------------------------|
| 9 | 12 th May 2014 | Medium-to-long term debt | Ch.10, and lecture notes |
| 10 | 19 th May 2014 | Futures contracts and forward rate agreements | Ch.19, and lecture notes |
| 11 | 26 th May 2014 | Options Essay due(25%) | Ch.20, and lecture notes |
| 12 | 2 nd June 2014 | Government debt, monetary policy, and payment system | Ch.12, and lecture notes |
| 13 | 9 th June 2014 | An introduction to interest rate determination and forecasting | Ch.13, and lecture notes |

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

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

Disruption to Studies Policy 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/

Supplementary Exam

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

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) 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

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

PG - Discipline Knowledge and Skills

Our postgraduates will be able to demonstrate a significantly enhanced depth and breadth of knowledge, scholarly understanding, and specific subject content knowledge in their chosen fields.

This graduate capability is supported by:

Learning outcomes

- Distinguish between various sectors of the financial market and the nature of the financial claims of the participants
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- Critically evaluate the relative merits of short term and long term debt and changes in the supply and demand for particular debt securities
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Assessment tasks

- Class Test
- Final Examination

PG - Critical, Analytical and Integrative Thinking

Our postgraduates will be capable of utilising and reflecting on prior knowledge and experience, of applying higher level critical thinking skills, and of integrating and synthesising learning and knowledge from a range of sources and environments. A characteristic of this form of thinking is the generation of new, professionally oriented knowledge through personal or group-based critique of practice and theory.

This graduate capability is supported by:

Learning outcomes

- Distinguish between various sectors of the financial market and the nature of the financial claims of the participants
- Critically evaluate the relative merits of short term and long term debt and changes in the supply and demand for particular debt securities
- Explain the characteristics of corporate funding sources and the processes involved in raising funds
- Analyse the role of futures and options in the management of risk by the market participants

Assessment tasks

- Class Test
- Essay

- Final Examination

PG - Research and Problem Solving Capability

Our postgraduates will be capable of systematic enquiry; able to use research skills to create new knowledge that can be applied to real world issues, or contribute to a field of study or practice to enhance society. They will be capable of creative questioning, problem finding and problem solving.

This graduate capability is supported by:

Learning outcomes

- Distinguish between various sectors of the financial market and the nature of the financial claims of the participants
- Identify the factors responsible for trends in regulation, the role of and the growth in the sources and uses of funds of the banking sector and the non-bank financial institutions
- Critically evaluate the relative merits of short term and long term debt and changes in the supply and demand for particular debt securities
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Assessment tasks

- Class Test
- Essay

Research and Practice

This unit gives you practice in applying research findings in your essay.