AFIN250

Investments

S1 Day 2015

Dept of Applied Finance and Actuarial Studies

Contents

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General Information

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Credit points
3

Prerequisites
(15cp including ((AFIN100 or ACST152) and (ACCG100 or ACCG106) and (STAT170 or STAT171))) or ACST252

Corequisites

Co-badged status

Unit description

The investment industry has experienced rapid change over the past three decades. Many of these changes in the investment environment are discussed in this unit. An important theme of the unit is that developed markets are near-informational-efficient - that higher expected returns only come by bearing greater investment risk. Throughout the unit a modern portfolio theory approach is applied, focussing on the implications of efficient diversification, in providing a proper measurement of risk and the risk-return relationship. The asset allocation choice is also considered in depth, as it is a primary determinant of the risk-return profile of the investment portfolio. In summary, the unit introduces the principles of valuation as applied to a broad range of asset classes including models of equity valuation, debt valuation, commodities, private equity, and alternative investments such as distressed securities and real estate.

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:

Knowledge of the investment environment.

Understand the implications of the varying degrees of efficiency in the market for the role of theoretical risk-return asset pricing models.

Understand the importance of asset allocation choices ie., stocks, bonds versus the selection of individual securities in forming portfolios.

Analyse bond prices and yields.

Ability to understand the effects of combining options and derivatives from an investment perspective.

General Assessment Information

It is the responsibility of students to view their marks for each within session assessment on iLearn within 20 days of posting. If there are any discrepancies, students must contact the unit convenor immediately. Failure to do so will mean that queries received after the release of final results regarding assessment tasks (not including the final exam mark) will not be addressed

Assessment Tasks

Name	Weighting	Due
Tutorial Work	5%	Two random Tutorials

Name	Weighting	Due
Class Test	20%	Week 7
Assignment	15%	11 May 2015
Final Examination	60%	University Examination Period

Tutorial Work

Due: **Two random Tutorials**
Weighting: **5%**

Students are expected to prepare solutions to tutorial problems before the class each week. The tutor can randomly select students to answer problems. In addition, tutors will randomly collect students tutorial work, on two occasions. Each collection is worth a maximum of 2.5%. Students whose work is not collected on a day will receive 0 marks, except for cases in which an application for special consideration is made and approved.

On successful completion you will be able to:

- Understand the importance of asset allocation choices ie., stocks, bonds versus the selection of individual securities in forming portfolios.
- Analyse bond prices and yields.
- Ability to understand the effects of combining options and derivatives from an investment perspective.

Class Test

Due: **Week 7**
Weighting: **20%**

The Class Test is scheduled to be held during the regular lecture in **Week 7**. The total time available for the class test is 90 minutes. The class test is based on topics covered during lectures 1 to 5, inclusive. No dictionaries of any kind are allowed in the class test. Non-programmable calculators are allowed, provided that they are not capable of storing text. Refer to iLearn for further details.

No extensions will be granted. Students who do not sit the test will be awarded a mark of 0, except for cases in which an application for special consideration is made and approved.

On successful completion you will be able to:

- Knowledge of the investment environment.
- Understand the implications of the varying degrees of efficiency in the market for the role of theoretical risk-return asset pricing models.

Assignment

Due: **11 May 2015**
Weighting: **15%**

The assignment is based on a Harvard case study. Students will work on a case study in groups of 3 or 4. Groups must submit the assignment to TURNITIN through iLearn by 5pm on Monday the 11th of May 2015. See iLearn for more information.

No extensions will be granted. Late assignments 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:

- Understand the implications of the varying degrees of efficiency in the market for the role of theoretical risk-return asset pricing models.
- Understand the importance of asset allocation choices ie., stocks, bonds versus the selection of individual securities in forming portfolios.

Final Examination

Due: **University Examination Period**
Weighting: **60%**

The **final exam** is based on topics covered during lecture weeks 1 to 12, inclusive. No dictionaries of any kind are allowed in the final examination. Non–programmable calculators are allowed, provided that they are not capable of storing text.

On successful completion you will be able to:

- Knowledge of the investment environment.
- Understand the implications of the varying degrees of efficiency in the market for the role of theoretical risk-return asset pricing models.
- Understand the importance of asset allocation choices ie., stocks, bonds versus the selection of individual securities in forming portfolios.
- Analyse bond prices and yields.
- Ability to understand the effects of combining options and derivatives from an investment perspective.

Delivery and Resources

The weekly three hour class time for this unit consists of a two hour lecture and a one hour tutorial. The timetable for classes can be found on the University web site at: http://www.timetables.mq.edu.au/

The required textbook is 'Essentials of Investments', Bodie, Kane, & Marcus. 9th edition, 2013, McGraw Hill. It is available for purchase from the Macquarie University Co-op Bookshop, and a copy will be available in the closed reserve section of the Macquarie Library.

Technology Used and Required

Unit Web Page

- The web page for this unit can be found at: http://ilearn.mq.edu.au
- It is the responsibility of students to visit the unit site at least twice a week. Course material is available on the learning management system (iLearn).
- Lecture notes, tutorial solutions, unit announcements, and other reference materials will be posed to this site throughout the semester.

Unit Schedule

Lecture Week	Week Beg.	Lecture Topic	Text
1	23 February	Introduction	BKM 1 - 2
2	2 March	Markets	BKM 3 - 4
3	9 March	Risk & Return	BKM 5
4	16 March	Efficient Diversification	BKM 6
5	23 March	Asset Pricing Models	BKM 7
6	30 March	Efficient Markets and Behavioral Finance	BKM 8 - 9
7	20 April	Class Test	
8	27 April	Bond Prices and Bond Portfolios	BKM 10 - 11
9	4 May	Macroeconomic and Industry Analysis	BKM 12
10	11 May	Equity Valuation and Financial Statement Analysis	BKM 13 - 14
11	18 May	Option Markets and Option Valuation	BKM 15 - 16

| 12 | 25 May | Futures Markets and Risk Management | BKM 17 |
| 13 | 1 June | Review | |

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/

Results

Results shown in *iLearn*, or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in eStudent. For more information visit ask.mq.edu.au.

Further information regarding supplementary exams, including dates, is available here:

http://students.mq.edu.au/student_admin/exams/disruption_to_studies/

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

Creative and Innovative

Our graduates will also be capable of creative thinking and of creating knowledge. They will be imaginative and open to experience and capable of innovation at work and in the community. We want them to be engaged in applying their critical, creative thinking.

This graduate capability is supported by:

Learning outcome

- Ability to understand the effects of combining options and derivatives from an investment perspective.

Assessment task

- 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

- Knowledge of the investment environment.
- Understand the implications of the varying degrees of efficiency in the market for the role of theoretical risk-return asset pricing models.
- Understand the importance of asset allocation choices ie., stocks, bonds versus the selection of individual securities in forming portfolios.
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- Ability to understand the effects of combining options and derivatives from an investment perspective.

Assessment tasks

- Tutorial Work
- Class Test
- Assignment
- Final Examination

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

- Knowledge of the investment environment.
- Understand the implications of the varying degrees of efficiency in the market for the role of theoretical risk-return asset pricing models.
- Understand the importance of asset allocation choices ie., stocks, bonds versus the selection of individual securities in forming portfolios.
- Analyse bond prices and yields.
- Ability to understand the effects of combining options and derivatives from an investment perspective.

Assessment tasks

- Tutorial Work
- Class Test
- Assignment

- Final Examination

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

- Knowledge of the investment environment.
- Understand the implications of the varying degrees of efficiency in the market for the role of theoretical risk-return asset pricing models.
- Understand the importance of asset allocation choices ie., stocks, bonds versus the selection of individual securities in forming portfolios.
- Analyse bond prices and yields.
- Ability to understand the effects of combining options and derivatives from an investment perspective.

Assessment tasks

- Tutorial Work
- Class Test
- Assignment
- Final Examination

Changes from Previous Offering

This is a new unit. It is a required unit in both the Bachelor of Applied Finance and the Bachelor of Commerce (majoring in Finance).