



ECFS888

Economics of Financial Markets

AFC Term 1 MB 2015

Dept of Applied Finance and Actuarial Studies

Contents

<u>General Information</u>	2
<u>Learning Outcomes</u>	2
<u>General Assessment Information</u>	3
<u>Assessment Tasks</u>	3
<u>Delivery and Resources</u>	6
<u>Unit Schedule</u>	8
<u>Learning and Teaching Activities</u>	13
<u>Policies and Procedures</u>	13
<u>Graduate Capabilities</u>	15
<u>Changes from Previous Offering</u>	19
<u>Important Notice</u>	19
<u>Standards Required to Complete the Unit Satisfactorily</u>	20

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

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Lecturer

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Credit points

2

Prerequisites

(Admission to MAppFin or PGCertAppFin or GradDipAppFin) and (ECFS867 or ECFS868)

Corequisites

Co-badged status

Unit description

The aim of this unit is to provide a greater understanding of the role and interaction of economic factors with the financial sector. We utilise topical developments and issues as subject matter. This unit explores the structure and growth of the economy, the determination of interest rates, exchange rates and equity prices, the role of finance, the changing importance of banks, institutional investors and security markets, and the economics of regulation with focus on the Global Financial Crisis and to a lesser extent the Asian Crisis. We also look at topical issues in economics and financial markets, for example the implications of the surge in Government debt, the implications for markets of an ageing population.

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:

Understand economic and financial concepts and theories.

Explain current and prospective economic and financial market developments, with

reference to economic and financial concepts, theories, evidence, and practice.

Understand the objectives and structure of an economy and its financial system, why this structure has economic and financial impacts and how its components can be used to achieve desired outcomes.

Explain the role and interaction of economic factors (including instruments of economic policy and financial regulation) with the financial sector (including financial market prices and the behaviour of the financial system more generally).

Apply economic and financial concepts and theory, plus an understanding of current issues, to critically evaluate major economic and financial challenges and their implications for financial markets and institutions.

General Assessment Information

To pass this Unit (requires a Standardised Numerical Grade of 50 or better) the student must pass the final exam.

Assessment Tasks

Name	Weighting	Due
Pre-Unit Assignment	10%	In First Class
Assignment	30%	Refer to iLearn
Final Exam	60%	Refer to Timetable

Pre-Unit Assignment

Due: **In First Class**

Weighting: **10%**

Summary of Assessment Task

Individual / Group: Individual

Due Date: In first class

Grading Method: Refer to 'Standards Required to Complete the Unit Satisfactorily' section

Submission Method: In Class

Duration: Refer to Assignment Coversheet

Extension Requests:

- No extensions are permitted.

- Late submission will result in zero marks, unless special consideration is approved by the Director of Studies under the University's Disruption to Studies Policy.

Other Information:

- Pre-Unit assignment is handed out with Unit notes.

On successful completion you will be able to:

- Understand economic and financial concepts and theories.

Assignment

Due: **Refer to iLearn**

Weighting: **30%**

Summary of Assessment Task

Individual / Group: Individual

Due Date: Refer to the Unit's iLearn site

Grading Method: Refer to 'Standards Required to Complete the Unit Satisfactorily' section

Submission Method: Online via Turnitin on iLearn.

Duration: Refer to Assignment Coversheet

Extension Requests:

- If you have extenuating circumstances that prevent you from submitting your assignment by the due date, please make arrangements with your Lecturer prior to the due date.
- Unless prior arrangements have been made, any late submission of assignments will automatically be penalised. In the absence of special circumstances, the penalty will be 10% of the available marks for the assessment for each business day (or part thereof) they are late.

Other Information: Unit assignment is handed out in lectures. Students choose a topical issue of interest to research and analyse the economic and financial implications of the topic using the concepts covered in class and the related Unit material.

On successful completion you will be able to:

- Understand economic and financial concepts and theories.
- Explain current and prospective economic and financial market developments, with reference to economic and financial concepts, theories, evidence, and practice.
- Understand the objectives and structure of an economy and its financial system, why this

structure has economic and financial impacts and how its components can be used to achieve desired outcomes.

- Explain the role and interaction of economic factors (including instruments of economic policy and financial regulation) with the financial sector (including financial market prices and the behaviour of the financial system more generally).
- Apply economic and financial concepts and theory, plus an understanding of current issues, to critically evaluate major economic and financial challenges and their implications for financial markets and institutions.

Final Exam

Due: **Refer to Timetable**

Weighting: **60%**

Summary of Assessment Task

Individual / Group: Individual

Due Date: Refer to Timetable. Assessments: Different Class Groups have different deadlines. Students should find the timetable and dates relevant to their group at www.mafc.mq.edu.au

Grading Method: Refer to 'Standards Required to Complete the Unit Satisfactorily' section

Submission Method: As per MAFC Program Rules & Procedures at www.mafc.mq.edu.au

Duration: 2 hours plus 10 minutes reading time

Examination Conditions:

- The purpose of the exam is to test your ability to analyse and apply the concepts studied in the Unit in a practical way under exam conditions without material ie closed book.
- The exam will consist of short questions requiring written answers and multiple-choice questions.
- Students are required to think critically and reflect on material and not merely recall Unit content.
- Exam times and locations are noted in the unit timetable at www.mafc.mq.edu.au.
- Refer to MAFC Program Rules & Procedures at www.mafc.mq.edu.au.

Extension Requests:

- You are expected to present yourself for examination at the time and place designated in the relevant MAFC Timetable at www.mafc.mq.edu.au.
- Deferral of an examination is not permitted, unless special consideration has been approved by the Director of Studies under the University's Disruption to Studies Policy.
- Refer to MAFC Program Rules & Procedures at www.mafc.mq.edu.au for information on

the University's Disruption to Studies Policy or non-attendance at an examination.

On successful completion you will be able to:

- Understand economic and financial concepts and theories.
- Explain current and prospective economic and financial market developments, with reference to economic and financial concepts, theories, evidence, and practice.
- Understand the objectives and structure of an economy and its financial system, why this structure has economic and financial impacts and how its components can be used to achieve desired outcomes.
- Explain the role and interaction of economic factors (including instruments of economic policy and financial regulation) with the financial sector (including financial market prices and the behaviour of the financial system more generally).
- Apply economic and financial concepts and theory, plus an understanding of current issues, to critically evaluate major economic and financial challenges and their implications for financial markets and institutions.

Delivery and Resources

CLASSES

Face-to-Face Teaching: Generally 20 hours over 4 days

Timetable: Detailed timetable for classes are on the Centre's web site www.mafc.mq.edu.au

Consultation Times:

Students who wish to contact any of the teaching staff may do so through:

- The Unit's iLearn site, in relation to general queries (so that all students may benefit); or
- Individual consultation with the lecturer by email in the first instance, if necessary.

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

Text: Nil

Additional Readings:

- The Unit material is contained within the Unit notes, additional hand-outs and readings and the lecture slides.
- Most additional readings are provided in the Unit folder.
- Students should assume these readings are examinable unless otherwise advised.

Lecture Notes: Available in printed form and electronically via iLearn.

Pre-Unit Materials: Information papers on statistics, regression, accounting and other material may be found at <http://www.mafc.mq.edu.au/applications/minimum-knowledge-requirement/pre-course-materials1/>. All Students should work through this material prior to commencing the degree. The material will remain a useful reference as Students progress through the program.

Calculators:

- A calculator is not required for this Unit.
- Numerical calculations are basic in nature and approximations will suffice.
- No calculators, mobile phones or computers are permitted in examinations.

Assumed Knowledge:

- No previous formal study of economics is required.
- Especially for those Students with little previous study in economics, it is highly recommended that Students read the Unit notes before the first class to familiarise themselves with the material. Reading the notes *before* classes begin *does* improve outcomes.

Assumed Access:

- Access to a computer with internet access, word processing and spreadsheet capability may assist Students with the Unit to a limited degree.

TECHNOLOGY USED AND REQUIRED

Unit iLearn Site:

- Found by logging on to iLearn ilearn.mq.edu.au, then clicking on ***Economics of Financial Markets***.
- This is where you will find a link to forums, downloadable resources and other important pages.
- iLearn allows you to communicate with other students and lecturer(s) and may provide supplementary material.
- You are requested to post your questions to iLearn forums at least 24 hours prior to the assignment submission date or the examination date. Questions posted after that time may not be answered. **Please try to not leave your questions to the last few days.**

Important Notice:

- It is important that you familiarize yourself with the Unit's iLearn site.
- All students should check the unit's iLearn site regularly (minimum twice a week and prior to all lectures) and look for updates and distribution of materials (including case studies) related to the Unit or assessments and, if relevant, participate in the unit's forum

discussions.

Unit Schedule

TOPIC 1: INTRODUCTION AND OVERVIEW OF THE ECONOMY

The objective of this lecture is to introduce economic concepts important to the understanding of developments in financial markets and more broadly the financial system. The focus is on current relevance and the ability to analysis current economic and financial market issues.

Outline:

- Introduction and overview of the course
- Why does economics and finance matter?
- Measuring economic and financial systems
- Potential and actual growth of the economy
- Consumer and asset inflation/deflation
- Balance of payments and the international economy
- Business cycles – ups & down in economic activity
- Gauging and forecasting the economy

Application of Concepts:

- Objectives for managing the economy and the financial system
- Assessment of aggregate output, incomes, assets and liabilities & sustainability
- Wealth, debt and income effects
- Promotion of inflation targeting and external and internal balance
- Understanding key drivers of economic activity and its financial linkages

Readings:

- Robert Solow, et al “Rethinking Economics in a Changed World”, IMF Finance & Development, June 2011

<http://www.imf.org/external/pubs/ft/fandd/2011/06/pdf/Andersen.pdf>

- Spaventa, Luigi, Economists & Economics, "What does the crisis tell us?", CEPR, Insight No.38.

<http://www.cepr.org/pubs/PolicyInsights/PolicyInsight38.pdf>

- Stevens Glenn, Producing Prosperity, CEDA Address November 2012, Melbourne Australia

<http://www.rba.gov.au/speeches/2012/sp-gov-201112.html>

TOPIC 2: MACROECONOMIC AND FINANCIAL POLICIES

The objective of this lecture is to examine the use of some of the instruments of economic policy and how they affect closely related financial market prices and more generally, the stability of the financial system.

Outline:

- The goals of economic policy
- Interest rates
- Exchange rates
- Fiscal policy
- Monetary policy
- Macro prudential policy
- International economic policy & the global monetary system

Application of Concepts:

- The role of policymakers in macroeconomic and financial stabilisation and structural gains
- Fiscal policy – effectiveness and sustainability/sovereign risk?
- Monetary policy decisions: what next?
- Inflation targeting: goods and services prices only and/or asset prices too?
- Currency unions and exchange rate regimes - fixed, floating or common?
- China's exchange rate: appreciation or stability?
- The Reserve Currency Debate & Rebalancing Global Growth
- Policy coordination - money, fiscal, banking & prudential - domestically and globally

Readings:

- David Gruen, "Lessons About Fiscal Policy from the 2000s, RBA Conference, Dec 2011 - http://www.treasury.gov.au/documents/2271/PDF/2271Speech_Lessons_About_Fiscal_Policy.pdf
- RBA Governor Glenn Stevens, "Monetary Policy and Inflation: How Does it Work?" Remarks to the Australian Treasury Seminar Series Canberra - 11 March 2008 - http://www.rba.gov.au/Speeches/2008/sp_gov_140308.html
- Florence Jaumotte, "Fixing the Flaws in the EMU, IMF Finance & Development, December, 2011 - <http://www.imf.org/external/pubs/ft/fandd/2011/12/pdf/jaumotte.pdf>
- William C Dudley, President and Chief Executive Officer of the Federal Reserve Bank of

New York, Asset bubbles and the implications for central bank policy, at the Economic Club of New York, New York City, 7 April 2010 - <http://www.bis.org/review/r100409c.pdf>

- Isabelle Mateos y Lago, et al, “The Debate on the International Monetary System”, IMF Staff Paper, Nov. 2009 - <http://www.imf.org/external/pubs/ft/spn/2009/spn0926.pdf>
- Readings for pre-course assignment:
 - Dr Donald T. Brash, then Governor, Reserve Bank of New Zealand, “The Pros and Cons of Currency Union: A Reserve Bank Perspective”. 22 May 2000 - <http://www.rbnz.govt.nz/speeches/0091114.html>
- Luis Jacome & Erlend Nier, “Protecting the Whole”, Finance & Development, March 2012, Vol. 49, No. 1 - <http://www.imf.org/external/pubs/ft/fandd/2012/03/jacome.htm>
- RBA Governor Glenn Stevens, “Challenges Facing Central Banking”, Address to the Bank of Thailand 70th Anniversary and 3rd Policy Forum Bangkok, 12 December 2012 - <http://www.rba.gov.au/speeches/2012/sp-gov-121212.html>
- Handouts for in class Shadow Central Bank Meeting
- Latest RBA and other central bank policy statements & announcements

TOPIC 3: FINANCE IN THE ECONOMY

The objective of this lecture is to examine the role of finance in the economy, why countries differ in the financial structure that has developed and why this structure has an economic impact.

Copies of the PowerPoint slides used in the lecture will be available.

Outline:

- Role of finance in the economy: asymmetric information and the costs of information and transactions as drivers of financial development
- Savings and investment – further insights in economic and financial activity
- Intermediation and disintermediation
- Financial Accounts – an accounting framework for the financial system
- Financial sector structure and economic development

Application of Concepts:

- Are financial intermediaries and capital markets alternatives or complementary? Good or bad?
- What companies are likely to use intermediated bank finance rather than disintermediated financial instruments in capital markets? And why?
- What are the major influences on financial structure?
- What causes procyclicality and instability in the banking and financial system?

- How to avoid and manage financial crises?

Readings:

- Jean-Claude Trichet, President of the European Central Bank, “What role for finance?” at the Universidade Nova de Lisboa, Lisbon, 6 May 2010 - <http://www.bis.org/review/r100510a.pdf>
- M S Mohanty and Philip Turner, Banks and financial intermediation in emerging Asia: reforms and new risks, BIS Working Papers No 313, June 2010 - <http://www.bis.org/pub/work313.pdf?noframes=1>
- Andrew G Haldane, A Leaf Being Turned, Speech, October 2012 - <http://www.bis.org/rev/iew/r121031f.pdf?frames=0>
- IMF, Latest Global Financial Stability Report, Released April and October, Chapter 1, Global Financial Stability Report - Executive Summary - <http://www.imf.org/external/pubs/ft/gfsr/>

In Class Discussion:

- Research and Statistics Department “Flow of Funds (4th Quarter 2014) – Japan, US and Euro area Overview” Bank of Japan - <http://www.boj.or.jp/en/statistics/sj/sjhiq.pdf>

TOPIC 4. ECONOMICS OF SECURITIES MARKETS

The objective of this lecture is to build some of the drivers of primary and secondary markets for securities and their derivatives, including exploring some valuation issues from an economics perspective.

Copies of the PowerPoint slides used in the lecture will be available.

Outline:

- Effective demand and supply
- Supply-side and demand-side factors for securities
- Judging effectiveness – efficiency and inefficiency in the foreign exchange, bond and equity markets
- Alternative valuation approaches and their uses

Application of Concepts:

- What are the key drivers of long-term government bond yields?
- What are the signs investors to judge the limit of excessive Government borrowing?
- Do shortages in the supply of equities and government debt constrain economic development?
- The calculation and relevance of Tobin’s q and Shiller’s p/e ratios

- How will the increasing reliance on private provision of retirement incomes affect the demand for and supply of securities?
- Are bubbles inevitable and impossible to deflate without a crisis?
- Short term vs. long term volatility and returns?

Readings:

- Robert J. Shiller, “Irrational Exuberance”, 2nd edition, 2005, Doubleday. The whole book, but especially Chapter 10, pages 177-194 - *Efficient Markets, Random Walks, and Bubbles*.
- In defence of the Shiller p/e - May 18th 2011, 12:36 by Buttonwood in “The Economist” - http://www.economist.com/blogs/buttonwood/2011/05/stockmarket_valuation
- Long-Run and Short-Run Determinants of Sovereign Bond Yields in Advanced Economies - <http://www.imf.org/external/pubs/cat/longres.aspx?sk=40091.0>

In class exercise on Tobin’s q: Federal Reserve, Flow of Funds Extract from Z1, Table B 102, page 114 - <http://www.federalreserve.gov/RELEASES/z1/Current/z1.pdf>

TOPIC 5. ECONOMICS OF FINANCIAL REGULATION

The objective of this lecture is to explore the rationale for regulation of the financial sector – notably both markets and banking and financial service providers - and how regulatory power can be best used to achieve desired outcomes.

Apart from the lecture notes, in class discussion will focus on the causes of the US subprime crisis and subsequent Global Financial Crisis and the lessons learned for financial supervisors, bankers, portfolio managers and other stakeholders.

Copies of the PowerPoint slides used in the lecture will be available.

Outline:

- Economic rationale for regulation
- Cost of regulation
- Regulation and financial innovation
- Lessons from the US sub-prime mortgage market and the GFC
- Lessons from the Asian crisis

Application of Concepts:

- What causes financial system crisis & failure?
- What regulatory factors helped or fuelled the Global Financial Crisis?
- What regulatory factors helped or fuelled the Asian Crisis?
- What are recent examples of conflicts of interest and moral hazard?

- What should regulators do about SIFIs/ Too big to fail institutions?

Readings:

- Stijn Claessens and M. Ayhan Kose, “Financial Crises: Explanations, Types, and Implications”, IMF WP 13/28, January 2013 - <http://www.imf.org/external/pubs/cat/longres.aspx?sk=40283.0>
- Vítor Constâncio, “The Global Financial Crisis – 5 years on”, Vice-President of the European Central Bank, at the China-Europe Economists Symposium, Beijing, 12 January 2013 - <http://www.bis.org/review/r130116a.pdf>
- Agustín Carstens: “The quest for successful policy responses to sovereign crises”, Speech by Mr Agustín Carstens, Governor of the Bank of Mexico, at the Monetary Authority of Singapore Lecture 2013, Singapore, 5 February 2013 - <http://www.bis.org/search/?q=The+quest+for+successful+policy+responses+to+sovereign+crises&adv=1>

Additional Reference: Financial Stability Board, 4 November 2011, “Overview of Progress of the G20 Recommendations for Strengthening Financial Stability- Report by the FSB to G20 Leaders”. http://www.financialstabilityboard.org/publications/r_111104gg.pdf

Learning and Teaching Activities

Strategy

The Master of Applied Finance degree adopts a deep teaching and learning strategy, in which Students acquire and retain knowledge and also are able to make sense of the issues and concepts and apply them in the “real world”. The degree relies heavily on student engagement and participation by: (a) Continuous learning throughout the semester. This is encouraged through a combination of students undertaking prescribed reading throughout the units and / or completion of practice problems, case studies, assignments, class presentations etc and interaction via forums in the unit’s iLearn site; and (b) Assessments, which enable the student to demonstrate his / her understanding of the learning objectives achieved through the continuous learning.

Student Participation

Students participate in this unit by: (a) Attending lectures and participating in class discussion; (b) Before each class, completing the recommended readings of notes and text, and working systematically through suggested problem sets; (c) Interacting on the unit’s iLearn site; and (d) Completing all assessment tasks and exams. On average the unit will require students to complete, for every hour of class time, approximately 3 hours private study.

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.

Students should also consult the MAFC Program Rules & Procedures found at <http://www.mafc.mq.edu.au>

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 enquiry service (MAFC-specific)

For all student enquires, please contact studentsupport@mafc.mq.edu.au

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.

Learning Skills

Learning Skills (http://www.students.mq.edu.au/support/learning_skills/) 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 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 - Capable of Professional and Personal Judgment and Initiative

Our postgraduates will demonstrate a high standard of discernment and common sense in their professional and personal judgment. They will have the ability to make informed choices and decisions that reflect both the nature of their professional work and their personal perspectives.

This graduate capability is supported by:

Learning outcomes

- Understand economic and financial concepts and theories.
- Explain current and prospective economic and financial market developments, with reference to economic and financial concepts, theories, evidence, and practice.
- Understand the objectives and structure of an economy and its financial system, why this structure has economic and financial impacts and how its components can be used to achieve desired outcomes.
- Explain the role and interaction of economic factors (including instruments of economic

policy and financial regulation) with the financial sector (including financial market prices and the behaviour of the financial system more generally).

- Apply economic and financial concepts and theory, plus an understanding of current issues, to critically evaluate major economic and financial challenges and their implications for financial markets and institutions.

Assessment tasks

- Pre-Unit Assignment
- Assignment
- Final Exam

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

- Understand economic and financial concepts and theories.
- Explain current and prospective economic and financial market developments, with reference to economic and financial concepts, theories, evidence, and practice.
- Understand the objectives and structure of an economy and its financial system, why this structure has economic and financial impacts and how its components can be used to achieve desired outcomes.
- Explain the role and interaction of economic factors (including instruments of economic policy and financial regulation) with the financial sector (including financial market prices and the behaviour of the financial system more generally).
- Apply economic and financial concepts and theory, plus an understanding of current issues, to critically evaluate major economic and financial challenges and their implications for financial markets and institutions.

Assessment tasks

- Pre-Unit Assignment
- Assignment
- Final Exam

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

- Understand economic and financial concepts and theories.
- Explain current and prospective economic and financial market developments, with reference to economic and financial concepts, theories, evidence, and practice.
- Understand the objectives and structure of an economy and its financial system, why this structure has economic and financial impacts and how its components can be used to achieve desired outcomes.
- Explain the role and interaction of economic factors (including instruments of economic policy and financial regulation) with the financial sector (including financial market prices and the behaviour of the financial system more generally).
- Apply economic and financial concepts and theory, plus an understanding of current issues, to critically evaluate major economic and financial challenges and their implications for financial markets and institutions.

Assessment tasks

- Pre-Unit Assignment
- Assignment
- Final Exam

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

- Understand economic and financial concepts and theories.
- Explain current and prospective economic and financial market developments, with reference to economic and financial concepts, theories, evidence, and practice.
- Understand the objectives and structure of an economy and its financial system, why this structure has economic and financial impacts and how its components can be used to achieve desired outcomes.

- Explain the role and interaction of economic factors (including instruments of economic policy and financial regulation) with the financial sector (including financial market prices and the behaviour of the financial system more generally).
- Apply economic and financial concepts and theory, plus an understanding of current issues, to critically evaluate major economic and financial challenges and their implications for financial markets and institutions.

Assessment tasks

- Pre-Unit Assignment
- Assignment
- Final Exam

PG - Effective Communication

Our postgraduates will be able to communicate effectively and convey their views to different social, cultural, and professional audiences. They will be able to use a variety of technologically supported media to communicate with empathy using a range of written, spoken or visual formats.

This graduate capability is supported by:

Learning outcomes

- Understand economic and financial concepts and theories.
- Explain current and prospective economic and financial market developments, with reference to economic and financial concepts, theories, evidence, and practice.
- Understand the objectives and structure of an economy and its financial system, why this structure has economic and financial impacts and how its components can be used to achieve desired outcomes.
- Explain the role and interaction of economic factors (including instruments of economic policy and financial regulation) with the financial sector (including financial market prices and the behaviour of the financial system more generally).
- Apply economic and financial concepts and theory, plus an understanding of current issues, to critically evaluate major economic and financial challenges and their implications for financial markets and institutions.

Assessment tasks

- Pre-Unit Assignment
- Assignment
- Final Exam

PG - Engaged and Responsible, Active and Ethical Citizens

Our postgraduates will be ethically aware and capable of confident transformative action in relation to their professional responsibilities and the wider community. They will have a sense of connectedness with others and country and have a sense of mutual obligation. They will be able to appreciate the impact of their professional roles for social justice and inclusion related to national and global issues

This graduate capability is supported by:

Learning outcomes

- Understand economic and financial concepts and theories.
- Explain current and prospective economic and financial market developments, with reference to economic and financial concepts, theories, evidence, and practice.
- Understand the objectives and structure of an economy and its financial system, why this structure has economic and financial impacts and how its components can be used to achieve desired outcomes.
- Explain the role and interaction of economic factors (including instruments of economic policy and financial regulation) with the financial sector (including financial market prices and the behaviour of the financial system more generally).
- Apply economic and financial concepts and theory, plus an understanding of current issues, to critically evaluate major economic and financial challenges and their implications for financial markets and institutions.

Assessment tasks

- Pre-Unit Assignment
- Assignment
- Final Exam

Changes from Previous Offering

- The academic policies section of the unit guide was updated in March 2014.
- The Extension Requests section of this Unit Guide was updated in June 2014.

Important Notice

This Unit Guide may be subject to change. The latest version is on the Centre's web site www.mafc.mq.edu.au.

Students should read the Unit Guide carefully at the start of semester. It contains important information about the Unit. If anything is unclear, please consult one of the unit lecturers.

Standards Required to Complete the Unit Satisfactorily

University Policy on Grading:

- Macquarie University's Academic Senate has established a Grading Policy available at <http://www.mq.edu.au/policy/docs/grading/policy.html>. Your final result will include:
 - A grade ranging from Fail to High Distinction; and
 - A Standardised Numerical Grade (SNG). A SNG is not a summation of the individual assessment components, but is allocated on the basis of the performance in all assessment items, providing the examination component is passed.
- It is important to note:
 - The Policy does not require that a minimum or maximum number of students are to be failed in any unit;
 - Grades will not be allocated to fit a predetermined distribution; and
 - The process of allocating SNGs does not change the rank order of marks among students who pass the unit.

Specific Unit Grading:

- To pass this unit (ie requires a Standardised Numerical Grade of 50 or better), the student must pass the combined examinations component of the assessment.
- All final grades in the Applied Finance Centre are determined by a grading committee and are not the sole responsibility of the unit convenor.
- The core criteria used to assess student work in this unit are:
 - Knowledge and understanding: Understanding key ideas, knowledge and use of concepts.
 - Application: Ability to apply theoretical ideas and frameworks in practice and in a critically reflective way.
 - Reasoning and analysis: Ability to analyse, use critical reasoning and principles to formulate a position, balancing theory and personal reflection.
 - Professional literacy and research: Understanding of professional factors (language and landscape) and ability to undertake appropriate research.
 - Communication and presentation: Ability to communicate and present effectively (written and oral, as relevant).
 - Use of mathematical and statistical ideas: Ability to use mathematical and statistical ideas, methods and formulae appropriately.

- Performance in relation to each of these criteria are assessed against the University’s grading descriptors:

Grade	Expectation
High Distinction	Provides consistent evidence of deep and critical understanding in relation to the learning outcomes. There is substantial originality and insight in identifying, generating and communicating competing arguments, perspectives or problem solving approaches; critical evaluation of problems, their solutions and their implications; creativity in application as appropriate to the discipline.
Distinction	Provides evidence of integration and evaluation of critical ideas, principles and theories, distinctive insight and ability in applying relevant skills and concepts in relation to learning outcomes. There is demonstration of frequent originality in defining and analysing issues or problems and providing solutions; and the use of means of communication appropriate to the discipline and the audience.
Credit	Provides evidence of learning that goes beyond replication of content knowledge or skills relevant to the learning outcomes. There is demonstration of substantial understanding of fundamental concepts in the field of study and the ability to apply these concepts in a variety of contexts; convincing argumentation with appropriate coherent justification; communication of ideas fluently and clearly in terms of the conventions of the discipline.
Pass	Provides sufficient evidence of the achievement of learning outcomes. There is demonstration of understanding and application of fundamental concepts of the field of study; routine argumentation with acceptable justification; communication of information and ideas adequately in terms of the conventions of the discipline. The learning attainment is considered satisfactory or adequate or competent or capable in relation to the specified outcomes.
Fail	Does not provide evidence of attainment of learning outcomes. There is missing or partial or superficial or faulty understanding and application of the fundamental concepts in the field of study; missing, undeveloped, inappropriate or confusing argumentation; incomplete, confusing or lacking communication of ideas in ways that give little attention to the conventions of the discipline.

Review of Grade and final examination Script viewing:

- A student who has been awarded a final grade for a unit and who does not believe it is an accurate reflection of their performance, and has grounds for such a claim and can demonstrate those grounds, may apply to have their grade reviewed.
- For information on requesting a review of grade and/or viewing your final exam script, please refer to the University’s Grade Appeal Policy at <http://www.mq.edu.au/policy/docs/gradeappeal/policy.html> and MAFC Program Rules & Procedures at <http://www.mafc.mq.edu.au>.