



# AFIN250

## Investments

S1 Day 2017

*Dept of Applied Finance and Actuarial Studies*

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## General Information

Unit convenor and teaching staff

Senior Lecturer in Finance

Dr James Cummings

[james.cummings@mq.edu.au](mailto:james.cummings@mq.edu.au)

Contact via email

Room 228, Building E4A

Friday, 2:00-4:00 pm

Teaching Assistant

Ms Veronica Chen

[veronica.chen@mq.edu.au](mailto:veronica.chen@mq.edu.au)

Contact via email

Room 622C, Building E4A

by appointment

Credit points

3

Prerequisites

((15cp at 100 level or above) including ((AFIN100 or AFIN102 or ACST152) and (ACCG100 or ACCG106) and (STAT150 or STAT170 or STAT171))) or ACST252

Corequisites

Co-badged status

Unit description

This unit is designed to provide a sound foundation of fundamental concepts in investments. Students who master the unit material will acquire the analytical tools and financial theory necessary for making sound investment decisions and understanding the methodologies by which financial securities are valued. The unit provides an overview of the investment environment. Students learn to construct optimal portfolios using the principles of modern portfolio theory and to illustrate the theory and empirical applications of asset pricing models. The unit provides an introduction to debt securities and markets, equity valuation and how derivatives can be used as part of a well-designed portfolio strategy.

## 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:

Construct optimal portfolios applying the principles of modern portfolio theory.

Illustrate the theory and empirical applications of asset pricing models: the CAPM, APT and multi-factor models.

Analyse bond prices and yields.

Explain macroeconomic and industry analysis, equity valuation and financial statement analysis.

Formulate derivatives strategies to modify portfolio risk-return attributes.

## General Assessment Information

It is the responsibility of students to view their marks for each within session assessment on iLearn within 20 working 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 marks (not including the final exam mark) will not be addressed.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<a href="#">Online quiz</a>	5%	No	24 March 2017, 5:00 pm
<a href="#">Mid-semester test</a>	15%	No	Week 7 in lecture
<a href="#">Case study/report</a>	20%	No	12 May 2017, 5:00 pm
<a href="#">Final examination</a>	60%	No	University examination period

### Online quiz

Due: **24 March 2017, 5:00 pm**

Weighting: **5%**

The online quiz will cover the topics studied during weeks 1 and 2.

No extensions will be granted. Students who do not complete the online quiz prior to the deadline will be awarded a mark of 0 for the online quiz, except for cases in which an application for disruptions to studies is made and approved.

On successful completion you will be able to:

- Construct optimal portfolios applying the principles of modern portfolio theory.

- Illustrate the theory and empirical applications of asset pricing models: the CAPM, APT and multi-factor models.

## Mid-semester test

Due: **Week 7 in lecture**

Weighting: **15%**

The mid-semester test will cover the topics studied during weeks 1 to 5 inclusive. The duration of the mid-semester test is one and a half hours. The test will be closed book (no notes or textbooks permitted).

Students who do not sit for the mid-semester test will be awarded a mark of 0 for the mid-semester test, except for cases in which an application for disruption of studies is made and approved.

On successful completion you will be able to:

- Construct optimal portfolios applying the principles of modern portfolio theory.
- Illustrate the theory and empirical applications of asset pricing models: the CAPM, APT and multi-factor models.

## Case study/report

Due: **12 May 2017, 5:00 pm**

Weighting: **20%**

Each student will write an individual report about issues raised in a case study on managing client conflicts. Instructions and marking criteria for the report will be provided on the unit iLearn site. The report must be submitted as a PDF file to Turnitin via the unit iLearn site.

No extensions will be granted. There will be a deduction of 10% 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 – 20% penalty). This penalty does not apply for cases in which an application for disruption of studies is made and approved.

On successful completion you will be able to:

- Construct optimal portfolios applying the principles of modern portfolio theory.
- Illustrate the theory and empirical applications of asset pricing models: the CAPM, APT and multi-factor models.

## Final examination

Due: **University examination period**

Weighting: **60%**

The final exam will cover the topics studied throughout the semester. The duration of the final exam is two and a half hours plus 10 minutes reading time. The exam will be closed book (no

notes or textbooks permitted).

On successful completion you will be able to:

- Construct optimal portfolios applying the principles of modern portfolio theory.
- Illustrate the theory and empirical applications of asset pricing models: the CAPM, APT and multi-factor models.
- Analyse bond prices and yields.
- Explain macroeconomic and industry analysis, equity valuation and financial statement analysis.
- Formulate derivatives strategies to modify portfolio risk-return attributes.

## Delivery and Resources

### Required technology

Non-programmable calculator

### Tutorial and lecture times

Students are required to enrol in one two-hour lecture and one one-hour tutorial per week and attend the lecture and tutorial in which they are enrolled. See details from the [timetable](#).

### Learning and teaching strategy

#### Face-to-face

Lectures are used to set the scene and show how the topic fits into the overall unit of study aims. Tutorials are essential for helping you to further your understanding and apply concepts to more difficult problems. Participation is strongly encouraged for you to check your progress towards achieving the learning outcomes for the unit.

#### Print

The textbook for the unit is Bodie, Z., Kane, A. and Marcus, A.J. (2017), *Essentials of Investments*, 10th edition, McGraw-Hill (denoted BKM on the reading list). Textbook material will be supplemented by articles and handouts. Chapters from the textbook and specified articles should be read prior to attending the scheduled lecture on that topic. Homework problems will be assigned at the end of lectures and these should be completed before coming to the tutorial the following week. Important handouts can be downloaded from the unit's iLearn site.

#### Online

iLearn (<https://ilearn.mq.edu.au>) provides the main online learning support. It is essential that you log in at least twice per week to keep abreast of unit-wide announcements and use the resources to supplement your learning. Lecture slides are available by the Friday before each lecture for you to download from iLearn. Solutions to homework problems are made available online after the problems are discussed in the tutorial.

The multiple choice quizzes available with the textbook are a useful revision resource.

## Unit Schedule

Week	Commencing	Topic	Readings
1	27 February	Introduction	BKM chapters 1 and 2
2	6 March	Investment vehicles	BKM chapters 3 and 4
3	13 March	Risk and return	BKM chapter 5
4	20 March	Efficient diversification	BKM chapter 6
5	27 March	Asset pricing	BKM chapter 7
6	3 April	Market efficiency	BKM chapters 8 and 9
7	10 April	Mid-semester test	
		Mid-semester break	
8	1 May	Fixed income securities	BKM chapters 10 and 11
9	8 May	Industry analysis	BKM chapter 12
10	15 May	Equity securities	BKM chapters 13 and 14
11	22 May	Options contracts	BKM chapters 15 and 16
12	29 May	Futures contracts	BKM chapter 17
13	5 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](http://mq.edu.au/policy/docs/academic_honesty/policy.html)

Assessment Policy [http://mq.edu.au/policy/docs/assessment/policy\\_2016.html](http://mq.edu.au/policy/docs/assessment/policy_2016.html)

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

Complaint Management Procedure for Students and Members of the Public [http://www.mq.edu.au/policy/docs/complaint\\_management/procedure.html](http://www.mq.edu.au/policy/docs/complaint_management/procedure.html)

Disruption to Studies Policy (in effect until Dec 4th, 2017): [http://www.mq.edu.au/policy/docs/disruption\\_studies/policy.html](http://www.mq.edu.au/policy/docs/disruption_studies/policy.html)

Special Consideration Policy (in effect from Dec 4th, 2017): <https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policies/special-consideration>

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/)

## 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>.

## Supplementary Exams

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

[http://www.businessandconomics.mq.edu.au/current\\_students/undergraduate/how\\_do\\_i/disruption\\_to\\_studies](http://www.businessandconomics.mq.edu.au/current_students/undergraduate/how_do_i/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://www.mq.edu.au/about\\_us/offices\\_and\\_units/information\\_technology/help/](http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/).

When using the University's IT, you must adhere to the [Acceptable Use of IT Resources 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

- Construct optimal portfolios applying the principles of modern portfolio theory.
- Illustrate the theory and empirical applications of asset pricing models: the CAPM, APT and multi-factor models.

#### Assessment task

- Case study/report

### 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

- Construct optimal portfolios applying the principles of modern portfolio theory.
- Illustrate the theory and empirical applications of asset pricing models: the CAPM, APT and multi-factor models.
- Analyse bond prices and yields.
- Explain macroeconomic and industry analysis, equity valuation and financial statement analysis.
- Formulate derivatives strategies to modify portfolio risk-return attributes.

#### Assessment tasks

- Online quiz
- Mid-semester test



- Case study/report
- 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**

- Construct optimal portfolios applying the principles of modern portfolio theory.
- Illustrate the theory and empirical applications of asset pricing models: the CAPM, APT and multi-factor models.
- Analyse bond prices and yields.
- Explain macroeconomic and industry analysis, equity valuation and financial statement analysis.
- Formulate derivatives strategies to modify portfolio risk-return attributes.

### **Assessment tasks**

- Case study/report
- Final examination