



# AFIN250

## Investments

S2 Day 2017

*Dept of Applied Finance and Actuarial Studies*

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### Disclaimer

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## General Information

Unit convenor and teaching staff

Lecturer

Chong It Tan

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Contact via Contact via email or iLearn Forum

E4A 609

Monday 11am-12pm during teaching weeks or by appointment

Angela Chow

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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

For all assessments:

- Assessment criteria for all assessment tasks will be provided on the unit iLearn site.
- All individual assessment results will be made available under Grades on the website.
- 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.
- In the cases where a disruption to studies application is approved, the student may be offered an alternative assessment or may receive a mark based on the percentage mark achieved by the student in one or more other assessment tasks, at the unit convenor's discretion.

## Assessment Tasks

| Name                     | Weighting | Hurdle | Due                           |
|--------------------------|-----------|--------|-------------------------------|
| <u>Online quiz</u>       | 10%       | No     | 25 August 2017, 11:55 pm      |
| <u>Mid-Semester Exam</u> | 30%       | No     | Week 9                        |
| <u>Final examination</u> | 60%       | No     | University examination period |

### Online quiz

Due: **25 August 2017, 11:55 pm**

Weighting: **10%**

The online quiz will cover the topics studied during weeks 1 to 3. The quiz is due on 25 August (Friday of week 4) 11:55pm, to be submitted online via the iLearn site.

Please use the class test as an indicator of whether you are progressing satisfactorily in the unit. If you are having difficulties, please see the Unit Convenor and consider withdrawing before the census date on Friday of week 4.

Students who have not sat the test will be awarded a mark of 0 for the task, 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 Exam

Due: **Week 9**

Weighting: **30%**

The mid-semester exam will be a 1.5-hour written paper with no reading time, held during the lecture time on Week 9. It will cover the topics studied during weeks 1 to 7.

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 to you at the end of the final examination.

Students who have not sat the test will be awarded a mark of 0 for the task, 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.

## Final examination

Due: **University examination period**

Weighting: **60%**

The final examination will be a 2.5-hour written paper with ten minutes reading time, held during the University Examination period. It will cover the topics studied throughout the semester.

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 to you at the end of the final examination.

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.

### Classes

The timetables for classes can be found on the University website at:

<https://timetables.mq.edu.au/2017/>. Tutorials commence in week 2 of the session.

### 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. (2016), *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    | 31 July      | Introduction              | BKM chapters 1 and 2   |
| 2    | 7 August     | Investment vehicles       | BKM chapters 3 and 4   |
| 3    | 14 August    | Risk and return           | BKM chapter 5          |
| 4    | 21 August    | Efficient diversification | BKM chapter 6          |
| 5    | 28 August    | Asset pricing             | BKM chapter 7          |
| 6    | 4 September  | Market efficiency         | BKM chapters 8 and 9   |
| 7    | 11 September | Fixed income securities   | BKM chapters 10 and 11 |
|      |              | Mid-semester break        |                        |
| 8    | 2 October    | Industry analysis         | BKM chapter 12         |
| 9    | 9 October    | Mid-semester exam         |                        |
| 10   | 16 October   | Equity securities         | BKM chapters 13 and 14 |
| 11   | 23 October   | Options contracts         | BKM chapters 15 and 16 |
| 12   | 30 October   | Futures contracts         | BKM chapter 17         |
| 13   | 6 November   | 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](http://ask.mq.edu.au).

## Supplementary exams

Information regarding supplementary exams, including dates, is available at:

[http://www.businessandeconomics.mq.edu.au/current\\_students/undergraduate/how\\_do\\_i/disruption\\_to\\_studies](http://www.businessandeconomics.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](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://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

### 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 Exam
- 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

- Online quiz
- Mid-Semester Exam
- 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

- 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.
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## Assessment tasks

- Online quiz
- Mid-Semester Exam
- Final examination

## Changes since First Published

| Date               | Description                                                                                                                                                  |
|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 06/<br>09/<br>2017 | The writing time for the mid-semester exam is changed to 1.5-hour from 2-hour.                                                                               |
| 18/<br>08/<br>2017 | Reflect the change on unit schedule.                                                                                                                         |
| 15/<br>08/<br>2017 | Deletion of "Tuesday" for the mid-semester exam date, because it will be held on both Monday and Tuesday lecture streams.                                    |
| 29/<br>07/<br>2017 | The mid-semester exam will be shifted to week 9 due to the public holiday on 2 Oct (Monday), so that students could attend their respective lecture streams. |