



# ECFS888

## Economics of Financial Markets

AFC Term 4 City 2018

*Archive (Pre-2019) - Dept of Applied Finance and Actuarial Studies*

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#### **Disclaimer**

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## General Information

Unit convenor and teaching staff

Lecturer

Jeff Oughton

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Contact via Email

Credit points

2

Prerequisites

(Admission to MAppFin or MAppFin(Adv) or GradDipAppFin or GradCertPost-MAppFin) and (AFCP801 or ECFS865)

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 Mark of 50 or better) the student must pass the final examination.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<a href="#">Pre-unit Assignment</a>	10%	No	In First Class
<a href="#">Assignment</a>	30%	No	Refer to iLearn
<a href="#">Final Exam</a>	60%	Yes	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 will be granted unless prior arrangements have been made with the lecturer. No submission will be accepted after solutions have been provided.
- In the absence of such arrangements, late submission will result in zero marks, unless an application for Special Consideration is made and approved. Refer to MAFC Program Rules at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au) for information on the University's Special Consideration

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.
- Explain current and prospective economic and financial market developments, with reference to economic and financial concepts, theories, evidence, and practice.

## 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:**

- No extensions will be granted unless an application for Special Consideration is made and approved. If you have extenuating circumstances that prevent you from submitting your assignment by the due date, you must apply for Special Consideration as soon as reasonably possible. Refer to MAFC Program Rules at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au) for information on the University's Special Consideration Policy.
- Unless such prior arrangements have been made, any late submission of assignments will automatically be penalised. 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).
- No submissions will be accepted after solutions have been posted.

**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).

## Final Exam

Due: **Refer to Timetable**

Weighting: **60%**

**This is a hurdle assessment task (see [assessment policy](#) for more information on hurdle assessment tasks)**

### Summary of Assessment Task

**Individual / Group:** Individual.

**Due Date:** Refer to Timetable.

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

**Submission Method:** As per MAFC Program Rules at [www.mafc.mq.edu.au](http://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 i.e. 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](http://www.mafc.mq.edu.au).
- Refer to MAFC Program Rules at [www.mafc.mq.edu.au](http://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](http://www.mafc.mq.edu.au).
- Deferral of an examination is not permitted unless an application for Special

Consideration is made and approved.

- Refer to MAFC Program Rules at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au) for information on the University's Special Consideration 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 website at [www.mafc.mq.edu.au](http://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://mafstudents.mq.edu.au/new-to-mafc/pre-course-materials/>. 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](http://ilearn.mq.edu.au), then clicking on ***ECFS888 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 familiarise 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:

- RBA Governor, Glenn Stevens, The Path to Prosperity, November 2015, Melbourne - <http://www.rba.gov.au/speeches/2015/sp-gov-2015-11-05.html>
- IMF's Videos on Conference, "Rethinking Macro Policy II – First Steps & Early Lessons" – April 2013 - <http://www.imf.org/external/np/seminars/eng/2013/macro2/index.htm> - see Opening Remarks
- For you Crypto Currency folk, RBA Governor Lowe, Dec 2017, "An eAUD?" <https://www.rba.gov.au/speeches/2017/sp-gov-2017-12-13.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
- Structural policy and reform
- International economic policy & the global monetary system

**Application of Concepts:**

- The role of policymakers in macroeconomic and financial stabilisation
- Fiscal policy – effectiveness and sustainability?
- Monetary policy decisions: what next?
- What are the impacts of QE on financial assets?
- Inflation targeting: goods and services prices only or asset prices too?
- How does macroprudential policy help to safeguard the whole financial system?
- Currency unions and exchange rate regimes - fixed, floating or common?
- China's exchange rate: appreciation or stability?
- The Reserve Currency Debate & Rebalancing Global Growth
- Bitcoin and e-currencies

**Readings:**

- Mr Claudio Borio, Head of the Monetary and Economic Department of the BIS, Sep 2017 - Through the looking glass. <https://www.bis.org/speeches/sp170922.pdf>
- John C. Williams, "Monetary Policy in a Low R-star World", Aug 2016. <https://www.frbsf.org/economic-research/publications/economic-letter/2016/august/monetary-policy-and-low-r-star-natural-rate-of-interest/>
- 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](http://www.treasury.gov.au/documents/2271/PDF/2271Speech_Lessons_About_Fiscal_Policy.pdf)

- Stijn Claessens, An Overview of Macroprudential Policy Tools, IMF WP – 14/214, December 2014, <http://www.imf.org/external/pubs/ft/wp/2014/wp14214.pdf>
- Tobias Adrian, Challenges for Monetary Policy from Global Financial Cycles, May 2018 - <http://www.imf.org/en/News/Articles/2018/05/07/sp050818-challenges-for-monetary-policy-from-global-financial-cycles?cid=em-COM-123-37020>

Handouts for in class Shadow Central Bank Meeting - Latest RBA and other central bank policy statements & announcements.

### **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>
- Benoit Coeure, ECB Board Member, “The Future of Europe”, December 2013 - <https://www.bis.org/review/r131206c.pdf>
- Mojmir Hampi: To be or not to be in the Eurozone? An answer from Prague, May 2018 - <http://www.bis.org/review/r180531a.pdf>

### **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:**

- Christopher Kent. Assistant Governor RBA, “The Availability of Business Finance” <https://www.rba.gov.au/speeches/2017/sp-ag-2017-12-13.html>
- KPMG, et al Fintech 100 – Presenting the world’s leading fintech innovators for 2017 <https://h2.vc/reports/fintechinnovators/2017> - skim for examples of emerging innovative financial product and services providers
- 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>
- Mark Carney, Governor of the Bank of England, A Transition in Thinking and Action, April 2018 - <https://www.bankofengland.co.uk/-/media/boe/files/speech/2018/a-transition-in-thinking-and-action-speech-by-mark-carney.pdf> - climate finance and risk management is moving into the mainstream – greening finance

#### **In Class Discussion:**

- Research and Statistics Department “Flow of Funds (1st Quarter 2016) – 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?
- The calculation and relevance of Tobin’s q and Shiller’s p/e ratios
- Short term vs. long-term volatility and returns?
- Are bubbles inevitable and impossible to deflate without a crisis?

#### **Readings:**

- Cash & Government Bonds - Read generally around the topic of fiscal deficit and debt sustainability. There is lots of good material on the IMF website – esp., the bi-annual IMF

- reports – especially the latest “Fiscal Monitor” - <http://www.imf.org/en/publications/fm>
- Standard and Poors- “How We Rate Sovereigns”, March 2012 - [http://www.standardandpoors.com/spf/ratings/How\\_We\\_Rate\\_Sovereigns\\_3\\_13\\_12.pdf](http://www.standardandpoors.com/spf/ratings/How_We_Rate_Sovereigns_3_13_12.pdf)
  - Richard Clarida, “Navigating the New Neutral”, Nov 2014, -<http://www.pimco.com.au/EN/Insights/Pages/Navigating-The-New-Neutral.aspx>
  - The World’s Priciest Stock Market, Jan 23, 2018 ROBERT J. SHILLER <https://www.project-syndicate.org/commentary/us-stock-market-highest-cape-ratio-by-robert-j-shiller-2018-01>
  - Advisor perspectives also maintains the Q ratio as well as other top down equity market valuations - <http://www.advisorperspectives.com/dshort/updates/Q-Ratio-and-Market-Valuation.php>

## **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
- Lessons from the European Sovereign crisis

### **Application of Concepts:**

- 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?
- What financial reforms will deliver the better economic results?

### **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>
- Financial Stability Board, Chairman’s Letter, “Building a Resilient and Open Financial system to Support Sustainable Cross Border Investment”, 30 August 2016 - <http://www.fsb.org/wp-content/uploads/FSB-Chair’s-letter-to-G20-Leaders-in-advance-of-their-meeting-in-Hangzhou-on-4-5-September..pdf>

### Post course readings:

- IMF, Global Financial Stability Report – released bi-annually – April & October – Executive Summary - <http://www.imf.org/external/pubs/ft/gfsr/index.htm>

## 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 term. 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 \(https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central\)](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central). Students should be aware of the following policies in particular with regard to Learning and Teaching:

- [Academic Appeals Policy](#)
- [Academic Integrity Policy](#)
- [Academic Progression Policy](#)
- [Assessment Policy](#)

- [Fitness to Practice Procedure](#)
- [Grade Appeal Policy](#)
- [Complaint Management Procedure for Students and Members of the Public](#)
- [Special Consideration Policy](#) (**Note:** *The Special Consideration Policy is effective from 4 December 2017 and replaces the Disruption to Studies Policy.*)

Undergraduate students seeking more policy resources can visit the [Student Policy Gateway](https://students.mq.edu.au/support/study/student-policy-gateway) (<https://students.mq.edu.au/support/study/student-policy-gateway>). It is your one-stop-shop for the key policies you need to know about throughout your undergraduate student journey.

If you would like to see all the policies relevant to Learning and Teaching visit [Policy Central](http://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central) (<http://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/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/study/getting-started/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).

Students should also consult the MAFC Program Rules 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](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 enquiry service (MAFC-specific)

For all student enquiries, please contact [studentsupport@mafc.mq.edu.au](mailto: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/](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](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

### 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 - 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 - 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

## Important Notice

This Unit Guide may be subject to change. The latest version is on the Centre's website at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au).

Students should read the Unit Guide carefully at the start of term. 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 Hurdle to High Distinction; and
  - A numerical Mark which is a summation of the individual assessment components, 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
  - Grades for all individual assessment items will be released to students, but Marks may not necessarily be released.

### Specific Unit Grading:

- To pass this unit (i.e. requires a Mark of 50 or better), the student must pass the final examination.
  - Students who have attained a total raw Mark of 50% or greater in a unit, but have failed the unit’s exam requirement and who have demonstrated “sufficient effort” in the exam, will be granted a single opportunity to sit a Supplementary Exam which will be Graded on a pass/fail basis. The unit Mark and Grade for students who pass this examination will be those corresponding to the original total raw mark of all their assessment tasks, including the original exam. That is, the Supplementary Hurdle Exam only determines the meeting of the hurdle requirement. Students who have attained a raw mark of 50% or greater in a unit, yet failed all attempts at the requirement, will be awarded a Fail Hurdle Grade with a final Mark of 49.
- All final Marks and Grades in the Applied Finance Centre are determined by a grading committee and are not the sole responsibility of the unit convenor.

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.
Fail Hurdle	Student has obtained a raw mark over 50, yet failed all available attempts of at least one hurdle assessment.

**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 at <http://www.mafc.mq.edu.au>.