



# AFCP8001

## Portfolio Management and Valuation

AFC term 4, Weekday attendance, Melbourne 2020

*Department of Applied Finance*

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#### **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.

#### **Notice**

As part of [Phase 3 of our return to campus plan](#), most units will now run tutorials, seminars and other small group learning activities on campus for the second half-year, while keeping an online version available for those students unable to return or those who choose to continue their studies online.

To check the availability of face-to-face and online activities for your unit, please go to [timetable viewer](#). To check detailed information on unit assessments visit your unit's iLearn space or consult your unit convenor.

## General Information

Unit convenor and teaching staff
Credit points 10
Prerequisites [(Admission to MAppFin or MAppFin(Adv) or GradDipAppFin) and ((AFCP810 or AFCP6016) and (AFCP811 or AFCP6017) and (AFCP812 or AFCP6018) and (AFCP813 or AFCP6019))] or (admission to MBA and (MGSM835 or MMBA8035) and (MGSM960 or MMBA8160))
Corequisites
Co-badged status
Unit description This unit equips students to apply an advanced body of finance knowledge to a range of contexts. This unit enables the student to develop the ideas of portfolio theory, asset pricing and behavioural finance. The unit covers a range of topics from a security analysts' perspective to address the broad question of how to value enterprises and then drills down to security valuation, financial statement and cash flow analysis. The unit emphasises an applied orientation for the major techniques and themes to be further extended and developed across the Masters program. It represents the essential pre-requisite knowledge for all other core units and elective streams.

## 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:

**ULO1:** Analyse and apply key theories, concepts, and models relevant to portfolio management, derivatives, financial analysis and valuation.

**ULO2:** Critically evaluate key theories, concepts, and models relevant to portfolio management, derivatives, financial analysis and valuation.

**ULO3:** Solve problems in portfolio management, derivatives, financial analysis and valuation and justify solutions.

## General Assessment Information

To pass this unit the student needs to (1) Achieve an aggregate mark of 50 or more, and; (2) Pass the Mid-term and Final Exam.

### **Information - Extension Requests / Penalties**

#### **Assignment (35%)**

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 incurs a 20% penalty). This penalty does not apply for cases in which an application for Special Consideration is made and approved.

Late submissions will be accepted up to 96 hours after the due date and time.

Further information on submitting an Application for Special Consideration can be found at <http://students.mq.edu.au/study/my-study-program/special-consideration>

#### **Online Topic Quizzes (5%)**

You are expected to make yourself available for assessment during the relevant quiz window.

Students who do not submit this task by the due date and time receive a result of zero. This penalty does not apply when an application for Special Consideration has been made and approved.

Students who do not attempt the quiz receive a mark of zero. This penalty does not apply in cases where an application for Special Consideration has been made and approved.

Further information on submitting an Application for Special Consideration can be found at <http://students.mq.edu.au/study/my-study-program/special-consideration>

#### **Mid-Term Exam (20%) and Final Exam (40%)**

You are expected to present yourself for examination at the time and place designated in the relevant MAFC Timetable at <https://www.mq.edu.au/about/about-the-university/faculties-and-departments/business/study-with-us/macquarie-applied-finance-centre/timetables>.

Deferral of an examination is not permitted unless an application for Special Consideration is made and approved.

Students who do not attend receive a mark of zero. This penalty does not apply in cases where an application for Special Consideration has been made and approved.

Further information on submitting an Application for Special Consideration can be found at <http://students.mq.edu.au/study/my-study-program/special-consideration>

## Assessment Tasks

Name	Weighting	Hurdle	Due
<a href="#">Mid-Term Exam</a>	20%	Yes	Refer to iLearn
<a href="#">Online Topic Quizzes</a>	5%	No	Refer to iLearn
<a href="#">Assignment</a>	35%	No	Refer to iLearn
<a href="#">Final Exam</a>	40%	Yes	Refer to Timetable

### Mid-Term Exam

Assessment Type <sup>1</sup>: Examination

Indicative Time on Task <sup>2</sup>: 15.00 hours

Due: **Refer to iLearn**

Weighting: **20%**

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

An individual closed book hurdle assessment that is 2 hours and 10 minutes.

On successful completion you will be able to:

- Analyse and apply key theories, concepts, and models relevant to portfolio management, derivatives, financial analysis and valuation.
- Critically evaluate key theories, concepts, and models relevant to portfolio management, derivatives, financial analysis and valuation.
- Solve problems in portfolio management, derivatives, financial analysis and valuation and justify solutions.

### Online Topic Quizzes

Assessment Type <sup>1</sup>: Quiz/Test

Indicative Time on Task <sup>2</sup>: 7.00 hours

Due: **Refer to iLearn**

Weighting: **5%**

A series of individual online quizzes.

On successful completion you will be able to:

- Analyse and apply key theories, concepts, and models relevant to portfolio management, derivatives, financial analysis and valuation.
- Critically evaluate key theories, concepts, and models relevant to portfolio management, derivatives, financial analysis and valuation.
- Solve problems in portfolio management, derivatives, financial analysis and valuation and justify solutions.

## Assignment

Assessment Type <sup>1</sup>: Case study/analysis

Indicative Time on Task <sup>2</sup>: 25.00 hours

Due: **Refer to iLearn**

Weighting: **35%**

Students perform a quantitative analysis task individually or in groups and report on the analysis in an individual paper with no overall word limit.

On successful completion you will be able to:

- Analyse and apply key theories, concepts, and models relevant to portfolio management, derivatives, financial analysis and valuation.
- Critically evaluate key theories, concepts, and models relevant to portfolio management, derivatives, financial analysis and valuation.
- Solve problems in portfolio management, derivatives, financial analysis and valuation and justify solutions.

## Final Exam

Assessment Type <sup>1</sup>: Examination

Indicative Time on Task <sup>2</sup>: 17.00 hours

Due: **Refer to Timetable**

Weighting: **40%**

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

An individual closed book hurdle assessment that is 2 hours and 10 minutes.

On successful completion you will be able to:

- Analyse and apply key theories, concepts, and models relevant to portfolio management, derivatives, financial analysis and valuation.
- Critically evaluate key theories, concepts, and models relevant to portfolio management, derivatives, financial analysis and valuation.
- Solve problems in portfolio management, derivatives, financial analysis and valuation and justify solutions.

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<sup>1</sup> If you need help with your assignment, please contact:

- the academic teaching staff in your unit for guidance in understanding or completing this type of assessment
- the [Writing Centre](#) for academic skills support.

<sup>2</sup> Indicative time-on-task is an estimate of the time required for completion of the assessment task and is subject to individual variation

## Delivery and Resources

### CLASSES

**Timetable:** Detailed timetable for classes are available at <https://www.mq.edu.au/about/about-the-university/faculties-and-departments/business/study-with-us/macquarie-applied-finance-centre/timetables>.

### Consultation Times:

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

- iLearn, 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:** Bodie, Kane and Marcus, *Investments*, McGraw Hill, 11TH edition, 2014, ISBN978-1-259-27717-7 (BKM).

### Additional Readings:

- Additional readings are available electronically via iLearn.
- **Students should assume these readings are examinable unless otherwise advised.**

**Lecture Notes:** Available electronically via iLearn.

### Study Problems:

- Students are required to work systematically through end of chapter problem sets. These

problems will not be collected but they will help you prepare for the exams. Answers, but not worked solutions, to set problems are provided in the lecture notes.

- Please refer to the Bodie, Kane and Marcus, *Investments Solutions Manual* for worked solutions.

**Pre-course Knowledge:** The Gateway units of the Graduate Certificate in Finance represent the pre-course knowledge required to successfully study the advanced applied finance units of the Masters of Applied Finance and the Graduate Diploma of Applied Finance. Please refer to the following page for instructions on reviewing the unit guides for the gateway units:

<http://mafstudents.mq.edu.au/new-to-mafc/pre-course-materials/>

**Useful References:**

- McDonald, *Derivatives Markets*, Pearson
- Ross, Westerfield and Jaffe, *Corporate Finance*, McGraw Hill
- Bodie, Kane and Marcus, *Investments Solutions Manual*, McGraw Hill
- Damodaran, *Investment Valuation*, Wiley
- Elton, Gruber, Brown & Goetzmann, *Modern Portfolio Theory and Investment Analysis*, Wiley.

**Calculators:**

- A financial calculator that can handle time value of money calculations, logs and power functions is required.
- The Hewlett Packard calculator hp17bII+ is recommended.
- In examinations, hand held calculators are permitted. Mobile phones and computers are not permitted.

**Assumed Access:**

- Access to a computer with word processing and spreadsheet capability is assumed, as is general student computer literacy.
- Also assumed is access to a Web browser (e.g. Internet Explorer or Firefox), email software and student's own connection to an internet service provider.

**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 ***AFCP8001 Portfolio Management and Valuation***.
- This is where you will find a link to forums, downloadable resources and other important pages.
- Forums allow you to communicate with other students and lecturer(s) and may provide supplementary material.
- You are requested to post questions to forums at least 24 hours prior to an assignment submission date or examination date. Questions posted after that time may not be answered.

**Please try to not leave your questions to the last few days.**

**Important:**

- It is important that you familiarise yourself with iLearn.
- Students should check iLearn 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 forum discussions.

## Unit Schedule

### 1. Asset Allocation (2 sessions)

- Introduction to the individual's investment problem
- Asset markets
- Investment valuation basics
- Forecast risk and return
- Risk attitude – risk aversion and utility
- Asset Allocation

### 2. Asset Pricing Model (2 sessions)

- Review research methods
- Active and passive management
- Risk adjusted discounting rates
- Multi factor portfolio management

### 3. Portfolio Optimization (1 session)

- Review of Markowitz model
- MSCI Barra portfolio optimization platform
- Topic case study: the argument for international diversification and currency management

### 4. Behavioural Finance Overview, Market Efficiency and Anomalies (1 session)

- Review of market efficiency
- Anomalies
- Behavioural finance
- Empirical testing

### 5. Fundamental Stock Analysis (3 sessions)

- Financial statement analysis
  - The role of financial analysis



- The Financial Analysis Toolkit
- Financial ratio analysis
- Applying the du Pont system of ratio analysis
- Segmental financial analysis
- Residual Income Valuation
- Cash flow analysis and financial modelling
  - The importance of cash flows in investment analysis and corporate finance applications
  - Cash flows statements for reporting and analysis purposes
  - Applying a cash flow analysis framework
  - Principles of forecasting and financial modelling
- Valuation principles
  - Key valuation concepts and methods
  - Discounted Cash Flow approach and WACC
  - Expected cashflows
  - Inflation and valuation
  - Terminal values
  - Multiples and relative valuation

## 6. Derivatives (3 sessions)

- Derivatives Overview
- Futures and Forwards - Hedging and Speculation Strategies
- Derivative Overlays and Asset Allocation Strategies
- Option Introduction
- Option Strategies
- Put-Call Parity
- Black-Scholes Valuation
- Portfolio Insurance

## 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.*)

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 published on platform other than [eStudent](#), (eg. iLearn, Coursera etc.) 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) or if you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto:globalmba.support@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 help you improve your marks and take control of your study.

- [Getting help with your assignment](#)
- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module](#)

The Library provides online and face to face support to help you find and use relevant information resources.

- [Subject and Research Guides](#)

- [Ask a Librarian](#)

## 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)

If you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto:globalmba.support@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.