



# AFIN7001

## Finance Theory

Session 1, Special circumstances 2021

*Department of Applied Finance*

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#### **Disclaimer**

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#### **Notice**

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

To check the availability of face-to-face 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

Unit Convenor

Martina Linnenluecke

[martina.linnenluecke@mq.edu.au](mailto:martina.linnenluecke@mq.edu.au)

Unit Convenor

Tom Smith

[tom.smith@mq.edu.au](mailto:tom.smith@mq.edu.au)

Credit points

10

Prerequisites

Permission by special approval

Corequisites

Co-badged status

Unit description

This unit is designed to introduce students to the major models of asset pricing and to rational expectations models. By using various asset pricing models, the unit will examine the economic intuition behind each model as well as providing a mathematically rigorous derivation of the model. The important features of these models, and their testable implications, will also be discussed.

## 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:** Illustrate and apply modern portfolio theory.

**ULO2:** Examine discrete time asset pricing models, like CAPM, APT, State Preference models and the Lucas model, and explain the economic intuition behind each model.

**ULO3:** Evaluate continuous time models like Black-Scholes Pricing model, Merton model, Breeden model and CIR model.

**ULO4:** Critically appraise and review rational expectations models including Grossman

model, Admati model, Kyle model and the extensions.

## General Assessment Information

Assessment criteria for all assessment tasks will be provided on the unit iLearn site.

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

### Late submissions and extensions

Tasks 10% or less – No extensions will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0 for the task, except for cases in which an application for special consideration is made and approved.

Tasks above 10% - 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 special consideration is made and approved. No submission will be accepted after solutions have been posted.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<u>Assignment</u>	40%	No	Assign 1 due 25/04/21 and Assign 2 due 16/05/21
<u>Final Examination</u>	60%	No	10/06/21

## Assignment

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

Indicative Time on Task <sup>2</sup>: 30 hours

Due: **Assign 1 due 25/04/21 and Assign 2 due 16/05/21**

Weighting: **40%**

Student will conduct quantitative and qualitative review and analysis on a topic. The findings will be communicated through a report (2000 to 3000 words) and presentation in class.

On successful completion you will be able to:

- Illustrate and apply modern portfolio theory.
- Examine discrete time asset pricing models, like CAPM, APT, State Preference models and the Lucas model, and explain the economic intuition behind each model.

- Evaluate continuous time models like Black-Scholes Pricing model, Merton model, Breeden model and CIR model.
- Critically appraise and review rational expectations models including Grossman model, Admati model, Kyle model and the extensions.

## Final Examination

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

Indicative Time on Task <sup>2</sup>: 20 hours

Due: **10/06/21**

Weighting: **60%**

A 3 hour closed book exam will be held at a designated time.

On successful completion you will be able to:

- Illustrate and apply modern portfolio theory.
- Examine discrete time asset pricing models, like CAPM, APT, State Preference models and the Lucas model, and explain the economic intuition behind each model.
- Evaluate continuous time models like Black-Scholes Pricing model, Merton model, Breeden model and CIR model.
- Critically appraise and review rational expectations models including Grossman model, Admati model, Kyle model and the extensions.

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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

A dropbox link will be shared with students containing relevant information for the course.

## Unit Schedule

Topic	Date
Module 1	Weekend of 20/21 March

Module 2	Weekend of 24/25 April
Module 3	Weekend of 15/16 May
Final Exam	Thursday 10 June (2-5pm)

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central \(https://policies.mq.edu.au\)](https://policies.mq.edu.au). 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](#)

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

To find other policies relating to Teaching and Learning, visit [Policy Central \(https://policies.mq.edu.au\)](https://policies.mq.edu.au) and use the [search tool](#).

## Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: <https://students.mq.edu.au/admin/other-resources/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](https://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](https://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.

## Changes since First Published

Date	Description
08/02/2021	Unit is co-taught with AFIN8001