AFIN8001

Finance Theory

Session 1, Online-scheduled-In person assessment, City 2022

Department of Applied Finance

Contents

General Information

Unit convenor and teaching staff Unit Convenor Martina Linnenluecke martina.linnenluecke@mq.edu.au Tom Smith 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: Ilustrate 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: Understand advanced rational expectations models including Grossman model, Admati model, Kyle model and the extensions.

General Assessment Information

Late submissions of assessments

Unless a Special Consideration request has been submitted and approved, no extensions will be granted. There will be a deduction of 10% of the total available assessment-task marks made from the total awarded mark for each 24-hour period or part thereof that the submission is late. Late submissions will only be accepted up to 96 hours after the due date and time.

No late submissions will be accepted for timed assessments – e.g., quizzes, online tests.

Table 1: Penalty calculation based on submission time

Submission time after the due date (including weekends)	Penalty (% of available assessment task mark)	Example: for a non-timed assessment task marked out of 30
< 24 hours	10%	10% x 30 marks = 3-mark deduction
24-48 hours	20%	20% x 30 marks = 6-mark deduction
48-72 hours	30%	30% x 30 marks = 9-mark deduction
72-96 hours	40%	40% x 30 marks = 12-mark deduction
> 96 hours	100%	Assignment won't be accepted

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

Assessment Tasks

Name	Weighting	Hurdle	Due
Assignment	40%	No	Assign 1 due Sun 3/04/22 and Assign 2 due Sun 8/05/22
Final Examination	60%	No	Thurs 9/06/22

Assignment

Assessment Type [1]: Project
Indicative Time on Task [2]: 30 hours
Due: **Assign 1 due Sun 3/04/22 and Assign 2 due Sun 8/05/22**
Weighting: **40%**

The assignment includes quantitative and qualitative analysis, produce a report of 2500 - 3500

words and/or presentation in class.

On successful completion you will be able to:

- Ilustrate 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.
- Understand advanced rational expectations models including Grossman model, Admati model, Kyle model and the extensions.

Final Examination

Assessment Type [1]: Examination
Indicative Time on Task [2]: 20 hours
Due: **Thurs 9/06/22**
Weighting: **60%**

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

On successful completion you will be able to:

- Ilustrate 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.
- Understand advanced rational expectations models including Grossman model, Admati model, Kyle model and the extensions.

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[1] 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.

[2] 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 5/6 March
Module 2	Weekend of 2/3 April
Module 3	Weekend of 7/8 May
Final Exam	Thursday 9 June (2-5pm)

Policies and Procedures

Macquarie University policies and procedures are accessible from Policy Central (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
- Assessment Procedure
- Complaints Resolution 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). 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) 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 or if you are a Global MBA student contact globalmba.support@mq.edu.au

Academic Integrity

At Macquarie, we believe academic integrity – honesty, respect, trust, responsibility, fairness and courage – is at the core of learning, teaching and research. We recognise that meeting the expectations required to complete your assessments can be challenging. So, we offer you a range of resources and services to help you reach your potential, including free online writing and maths support, academic skills development and wellbeing consultations.

Student Support

Macquarie University provides a range of support services for students. For details, visit http://students.mq.edu.au/support/

The Writing Centre

The Writing Centre provides resources to develop your English language proficiency, academic writing, and communication skills.

- Workshops
- Chat with a WriteWISE peer writing leader
- Access StudyWISE
- Upload an assignment to Studiosity
- Complete the 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

Macquarie University offers a range of Student Support Services including:

- IT Support
- Accessibility and disability support with study
- Mental health support
- Safety support to respond to bullying, harassment, sexual harassment and sexual assault
- Social support including information about finances, tenancy and legal issues

Student Enquiries

Got a question? Ask us via AskMQ, or contact Service Connect.

IT Help

For help with University computer systems and technology, visit 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
03/02/2022	Co-taught with AFIN7001