



# ACST2002

## Mathematics of Finance

Session 1, In person-scheduled-weekday, North Ryde 2023

*Department of Actuarial Studies and Business Analytics*

### Contents

<u>General Information</u>	2
<u>Learning Outcomes</u>	2
<u>General Assessment Information</u>	3
<u>Assessment Tasks</u>	3
<u>Delivery and Resources</u>	5
<u>Unit Schedule</u>	5
<u>Policies and Procedures</u>	6

#### 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.

## General Information

Unit convenor and teaching staff

Jiwook Jang

[jiwook.jang@mq.edu.au](mailto:jiwook.jang@mq.edu.au)

Tutor

Kenneth Wong

[kenneth.wong@mq.edu.au](mailto:kenneth.wong@mq.edu.au)

Credit points

10

Prerequisites

(ACST101(Cr) or ACST1001(Cr) or WACT101(Cr) or WACT1001(Cr) or ACST152 or ACST1052) and (MATH133 or MATH1025)

Corequisites

Co-badged status

Unit description

This unit begins with coverage of the basics of data analysis and modelling. It continues with a rigorous mathematical development of compound interest theory, using calculus where appropriate, applying the theory to more complex financial problems. Topics include the force of interest and its relationship to interest rates, inflation and capital gains tax, discrete and continuous term certain annuities, project appraisal, loans, bonds, yield curves, matching and immunisation and the definitions of various insurance and annuity contracts. Students will be required to use an Excel spreadsheet to solve problems throughout the unit. The concepts developed in this unit are required in several subsequent units in the actuarial degree.

Students gaining a credit average in both ACST2002 and ACST2055 (minimum mark of 60 on both units) will satisfy the requirements for exemption from the professional subject CM1 of the Actuaries Institute.

## 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:** Demonstrate an understanding of compound interest theory.

**ULO2:** Identify and describe various types of annuities and apply them to solve complex financial problems involving annuities.

**ULO3:** Apply the compound interest theory to a range of practical problems in finance, including loans, analysis of investment projects, valuation of fixed interest securities, yield curves, the no-arbitrage pricing method, forward contracts and immunisation theory.

**ULO4:** Describe the basic principles of actuarial modelling.

**ULO5:** Define simple life table functions and various assurance and annuity contracts.

## General Assessment Information

Late Assessment Submission Penalty (**written assessments**)

Unless a Special Consideration request has been submitted and approved, a 5% penalty (of the total possible mark) will be applied each day a written assessment is not submitted, up until the 7th day (including weekends). After the 7th day, a grade of '0' will be awarded even if the assessment is submitted. Submission time for all written assessments is set at 11.55pm. A 1-hour grace period is provided to students who experience a technical concern.

For any late submissions of time-sensitive tasks, such as scheduled tests/exams, performance assessments/presentations, and/or scheduled practical assessments/labs, students need to submit an application for [Special Consideration](#).

## Assessment Tasks

Name	Weighting	Hurdle	Due
<a href="#"><u>Assignment</u></a>	20%	No	Tuesday 4 April 11:55pm
<a href="#"><u>Class Test</u></a>	20%	No	Tuesday 9 May 3:00pm
<a href="#"><u>Final Exam</u></a>	60%	No	Examination Period

### Assignment

Assessment Type <sup>1</sup>: Quantitative analysis task

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

Due: **Tuesday 4 April 11:55pm**

Weighting: **20%**

This is an individual assignment which focuses on problem solving using Excel spreadsheet.

On successful completion you will be able to:

- Demonstrate an understanding of compound interest theory.
- Identify and describe various types of annuities and apply them to solve complex financial problems involving annuities.
- Apply the compound interest theory to a range of practical problems in finance, including loans, analysis of investment projects, valuation of fixed interest securities, yield curves, the no-arbitrage pricing method, forward contracts and immunisation theory.

## Class Test

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

Indicative Time on Task <sup>2</sup>: 10 hours

Due: **Tuesday 9 May 3:00pm**

Weighting: **20%**

The test will be approximately 90 minutes, to be held during class time.

On successful completion you will be able to:

- Demonstrate an understanding of compound interest theory.
- Identify and describe various types of annuities and apply them to solve complex financial problems involving annuities.
- Apply the compound interest theory to a range of practical problems in finance, including loans, analysis of investment projects, valuation of fixed interest securities, yield curves, the no-arbitrage pricing method, forward contracts and immunisation theory.
- Describe the basic principles of actuarial modelling.

## Final Exam

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

Indicative Time on Task <sup>2</sup>: 28 hours

Due: **Examination Period**

Weighting: **60%**

The final examination will be closed book, a three-hour written paper with ten minutes reading time, to be held during the University Examination period.

On successful completion you will be able to:

- Demonstrate an understanding of compound interest theory.

- Identify and describe various types of annuities and apply them to solve complex financial problems involving annuities.
- Apply the compound interest theory to a range of practical problems in finance, including loans, analysis of investment projects, valuation of fixed interest securities, yield curves, the no-arbitrage pricing method, forward contracts and immunisation theory.
- Describe the basic principles of actuarial modelling.
- Define simple life table functions and various assurance and annuity contracts.

---

<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

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

<https://timetables.mq.edu.au/2023/>

There is no required textbook.

Unit materials are available for download from iLearn.

Students will be required to use iLearn, Excel and a non-programmable calculator.

## Unit Schedule

1. Introduction to data analysis, Principles of actuarial modelling, Cash flow models
2. Interest rates
3. Discounting and accumulating
4. Level annuities
5. Varying annuities
6. Loan schedule
7. Project appraisal, Bonds, equity and property  
(Assignment due - Tuesday 4 April 11:55pm)
- Semester Break
8. ANZAC Day, Term structure of interest rates
9. Term structure of interest rates, Forward contracts

10. Class Test (Tuesday 9 May 3:00-5:00pm), Bond statistics
11. Bond statistics, Immunisation
12. The life table; Assurance contracts
13. Annuity contracts; Revision

## 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](#)
- [Assessment Procedure](#)
- [Complaints Resolution Procedure for Students and Members of the Public](#)
- [Special Consideration Policy](#)

Students seeking more policy resources can visit [Student Policies \(https://students.mq.edu.au/support/study/policies\)](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)

## 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 Advocacy](#) provides independent advice on MQ policies, procedures, and processes

## 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/](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.