



UNIT OUTLINE

ACCG818 INVESTMENTS

Semester 2, 2008

**MACQUARIE UNIVERSITY
DIVISION OF ECONOMIC AND FINANCIAL STUDIES
UNIT OUTLINE**

Year and Semester: 2008, Semester 2

Unit convenor: Dr Philip Cheng

Prerequisites Students enrolled in this unit are expected to have completed an undergraduate unit in finance, ACCG837 Capital Markets, or an equivalent. Students who are unsure of their suitability for enrolment should seek advice from the Graduate Accounting and Commerce Centre.

Students are encouraged to read the unit outline carefully at the start of semester.

ABOUT THIS UNIT

This unit provides an introduction to the fundamental concepts and their practical applications in investment analysis. With an international approach, topics include selecting appropriate asset types for specific objectives, bond and stock valuation, asset allocation, risk-return trade-off, portfolio management, behavioural biases in investment decisions, and fundamental vs. technical analysis. The materials covered are of practical value as well as intellectual and academic interest.

Contents covered in this unit will prepare students for career opportunities in the investment industry, and provides linkages for further studies (particularly ACCG 839 Portfolio Management) and academic research in the investment discipline. Students would also find this unit beneficial in preparing for the Chartered Financial Analysts (CFA) and financial planning examinations.

Studies in this unit complement the content of related units such as ACCG806 Risk Management and Derivatives, ACCG832 Business and Financial Analysis, ACCG837 Capital Markets, ACCG838 Business Valuation, ACCG890 Corporate Financial Forecasting and ECON867 International Financial Management.

TEACHING STAFF

Convenor Philip Cheng (Visiting Lecturer)
PhD, MBus(AppFin), BA, FCPA, FABIF, CIA, CISA, ASIA, AIA

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CLASSES

The three hour seminars for this unit consist of lectures, discussions between staff and students in topics covered in the units and revision questions, and explanation of solutions of past Chartered Financial Analysts (CFA) questions.

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

Textbook

BKM Z. Bodie, A. Kane and A. J. Marcus, **Investments**, McGraw-Hill, seventh edition, 2008.

Z. Bodie, A. Kane and A. J. Marcus, **Student Solutions Manual to Accompany Investments**, McGraw-Hill, seventh edition, 2008.

Seminar Notes

Additional notes on selected topics will also be provided to students.

References

SN3 Chapters 2 - 4 from H Shefrin, **Beyond Greed and Fear**, Oxford University Press, 2002

H R. A. Haugen, **Modern Investment Theory**, Prentice Hall, fifth edition, 2001.

T P Tanous, **Investment Gurus**, New York Institute of Finance, 1997

S H Shefrin, **Beyond Greed and Fear**, Oxford University Press, 2002

RB F Reilly and K Brown, **Investment Analysis Portfolio Management**, Thomson, eighth edition, 2006

EG E. J. Elton and M. J. Gruber, **Modern Portfolio Theory and Investment Analysis**, John Wiley and Sons Inc., sixth edition, 2003.

J C. P. Jones, **Investments: Analysis and Management**, Wiley, ninth edition, 2004.

The text and references are available in the Reserve Collection of the library.

ASSESSMENT

The assessment for the unit consists of the following:

Mid-term examination	30%
Group assignment	20%
Final examination	50%

To pass the unit, students must obtain at least 25% out of the aggregate 50% allocated to the final exam. They must also obtain at least 50% out of the total 100% for all assessment tasks.

Mid-term and final examinations are open book examinations. Students may bring the prescribed text (with minimal notation) to the examination. **Texts that have solutions to the questions at the end of each chapter, seminar review questions or examination revision questions written on them, and photocopies of the text will not be allowed.**

Even though attendance of class does not constitute part of the assessment, record of attendance of seminars will be kept.

The GACC Examination Timetable will be available at the following address: www.gacc.mq.edu.au/cs/ttables. You are expected to present yourself for examination at the time and place designated in the GACC Examination Timetable.

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. Information about unavoidable disruption and the special consideration process is available at <http://www.reg.mq.edu.au/Forms/APSCon.pdf>

If a Supplementary Examination is granted as a result of the Special Consideration process, the examination will be scheduled after the conclusion of the official examination period.

You are advised that it is Macquarie University policy not to set early examinations for individuals or groups of students. All students are expected to ensure that they are available until the end of the teaching semester (the final day of the official examination period).

LEARNING OUTCOMES

Upon satisfactory completion of this unit, students should be able to understand and apply the following key concepts in real life investments, develop individual investment styles, and to progress further in their preparation for CFA and financial planning examinations:

- Selection of asset types for specific objectives
- Investment styles
- Fundamental vs. technical analysis
- Valuation of bonds and stocks
- Selection of investment assets based on expected risk and return
- Asset allocation
- Portfolio construction
- Financial market efficiency and market anomalies
- Impact of cognitive biases on investment decisions

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop students' generic skills in a range of areas. One of the aims of this unit is to enhance the students further in the following key competencies:

- Self-awareness and self-discipline;*
- Interpersonal skills;*
- Communication skills;*
- Analytical and critical evaluation skills;*
- Problem-solving skills;*
- Research skills as a practitioner.*

TEACHING AND LEARNING STRATEGY

The lecturer would explain and illustrate the key concepts and ideas via an interactive mode, which would stimulate students' interest and analytical thinking, and further develop their investment decision processes in a disciplined manner, while helping them to be conscious of individual biases at the same time.

At the master level, students are expected to establish the discipline of self learning and self studying to some extent. Accordingly, students are expected to read the suggested references on the seminar topics each week, work through the review questions, and participate in the discussion of their solutions. Where appropriate, students would be asked to explain the solutions of designated questions in class.

Many of the review questions are drawn from past examinations for the Chartered Financial Analysts (CFA) program. Parts of the examination papers would be in similar format.

SEMINAR PROGRAM

Seminars and topics	References for seminar topics	Review Questions
Seminar 1 (Week commencing Aug 4) Assets for investment <ul style="list-style-type: none"> – Tangible vs. financial – Properties of financial assets – Characteristics of major asset classes 	BKM Chs 2, 4	Ch 2: Q 1,2 Ch 3: Q 1, 2, 20, 21, 22 Ch 4: Q 2, 3, 18, 19, 20
Approaches in investment <ul style="list-style-type: none"> – Trading vs. investing – Technical analysis – Investment styles – Buying on margins – Short selling 	BKM Chs 3, 12	

Seminar 2 (Week commencing Aug 11) Fundamental analysis – Macroeconomic and industry analysis – Financial statement analysis	BKM Chs 17, 19 Case on financial analysis	
Seminar 3 (Week commencing Aug 18) Fixed-income securities – Term structures of interest rates – Bond prices and yields – Managing bond portfolios	BKM Chs 14-16	
Seminar 4 (Week commencing Aug 25) Equity valuation – Dividend discount models – Price-earnings ratios – Free cash flow valuation	BKM Ch 18 Case on stock valuation	
Seminar 5 (Week commencing Sep 1) Derivatives – Derivatives as investment assets – Futures and options strategies	BKM Chs 20, 22	
Seminar 6 (Week commencing Sep 8) Revision for mid term examination Portfolio theory and practice – Risks and returns – Index models – Asset allocation	Seminars 1 to 4 BKM Chs 5-8 Case on portfolio management	

Seminar 7 (Week commencing Sep 15) Mid term examination		Solutions to the examination questions will be explained after the examination. Discussion of the assignment
Sep 22 to Oct 3	Mid-semester break	
Seminar 8 (Week commencing Oct 6) Portfolio theory and practice (con't)		
Seminar 9 (Week commencing Oct 13) Equilibrium in capital markets – Asset pricing models – Efficient market hypothesis and evidence	BKM Chs 9 -11	
Seminar 10 (Week commencing Oct 20) Empirical evidence on security returns – Empirical tests on asset pricing models Portfolio performance evaluation – Conventional theory of performance evaluation	BKM Ch 13 BKM Ch 24	
Seminar 11 (Week commencing Oct 27) Behavioral finance	BKM Ch 12 S Chs 2 - 4	
Seminar 12 (Week commencing Nov 3) Summary and revision	Seminars 5, 6, 8 to 11	
Seminar 13 (Week commencing Nov 10) Final examination	Seminars 5, 6, 8 to 12	

RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

The interactive mode of the seminars, discussion of the revision questions, and the tasks required of the assignment are all designed to facilitate students to formulate and subsequently apply the key concepts in the investment process, and to develop the associated analytical, problem-solving and research skills.

While both mid-term and final examinations are designed to assess the degree that the students have achieved the learning outcomes, the mid-term examination also serves an interim check point on the progress of the students, so that assistance and guidance could be provided to the students in their learning process where appropriate.

On-the-spot verbal communication and quick thinking skills are enhanced by the interactive mode of the seminar.

PLAGIARISM

The University defines plagiarism in its rules: "Plagiarism involves using the work of another person and presenting it as one's own." Plagiarism is a serious breach of the University's rules and carries significant penalties. Please be familiarise with the University's practices and procedures on plagiarism. These can be found in the *Handbook of Undergraduate Studies* or on the web at: <http://www.student.mq.edu.au/plagiarism/>

The policies and procedures explain what plagiarism is, how to avoid it, the procedures that will be taken in cases of suspected plagiarism, and the penalties if you are found guilty. Penalties may include a deduction of marks, failure in the unit, and/or referral to the University Discipline Committee.

UNIVERSITY POLICY ON GRADING

Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a standardised numerical grade (SNG).

On occasion a student's raw mark for a unit (i.e., the total of the marks for each assessment item) may not be the same as the SNG which a student receives. Under the Senate guidelines, results may be scaled to ensure that there is a degree of comparability across the university, so that units with the same past performances of their students should achieve similar results.

The process of scaling does not change the ranking of marks among students. A student who receives a higher raw mark than another will also receive a higher final scaled mark.

STUDENT SUPPORT SERVICES

Macquarie University provides a range of Academic Student Support Services. Details of these services is available at <http://www.student.mq.edu.au>.