

MACQUARIE
UNIVERSITY



FACULTY OF
BUSINESS AND ECONOMICS

ACCG818
Investments

Session 1, 2011

*Department of Applied Finance
and Actuarial Studies*

**MACQUARIE UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
UNIT OUTLINE**

Year and Semester: 2011, Session 1

Unit convenor: Dr Garry Hobbes

Prerequisites: Students enrolled in this unit are expected to have completed ACST603 or admission to MCom or MIB or MEd or MActPrac prior to 2011. Students who are unsure of their suitability for enrolment should seek advice from the Business and Economics Graduate Centre.

Credit points: 4

Students in this unit should read this unit outline carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult one of the teaching staff in the unit.

ABOUT THIS UNIT

- This unit provides an introduction to the fundamental concepts and their practical application to 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.
- From the professional perspective, contents covered in this unit will prepare students for career opportunities in the finance industry generally, not necessarily limited to the investment discipline. Students would particularly find the unit beneficial in preparing for the Chartered Financial Analysts (CFA) and financial planning examinations. Academically, the unit provides a pathway for further studies (particularly ACCG 839 Portfolio Management) and academic research in the investment discipline.
- 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 : Dr Garry Hobbes garry.hobbes@mq.edu.au
Room 231, Building E4A
Phone 9850 8510
- Adjunct Seminar Coordinator: Dr Helen Bendall helen.bendall@mq.edu.au

CONSULTATION TIMES

You are encouraged to seek help at a time that is convenient to you from a staff member teaching on this unit during their regular consultation hours. In special circumstances, an appointment may be made outside regular consultation hours. Staff will not conduct any consultations by e-mail. You may, however, phone staff during their consultation hours. Consultation times during semester 1 2011 for Dr Garry Hobbes are Thursday 2-3 pm and for Dr Helen Bendall, Monday 1-2pm.

In order to gain access to staff located at levels 1, 2 and 3 of building E4A during their consultation hours please ring the staff member from the phones available in the lobby (phone numbers of relevant staff members will be provided on Blackboard and are available next to the phones).

Students experiencing significant difficulties with any topic in the unit are strongly must seek assistance immediately.

CLASSES

- The unit is comprised of thirteen (13) 3-hour face-to-face weekly seminars, which includes the mid-session examination. Apart from the examination, each seminar consists of lectures, discussions between staff and students in topics covered in the units and revision questions, and consideration of solutions to past Chartered Financial Analysts (CFA) questions.
- The timetable for classes can be found on the University web site at: <http://www.timetables.mq.edu.au/>

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

Prescribed Text

BKM: Z. Bodie, A. Kane and A. J. Marcus, **Investments**, Ninth edition: McGraw-Hill, , 2011

The text can be purchased from the Macquarie University Co-op Book Shop and is available in the Macquarie University library.

References

Students may also wish to consult from time-to-time other references. There are numerous books on investments available in the Macquarie University Library.

TECHNOLOGY USED AND REQUIRED

- The web page for this unit can be found at the LEARN website (<https://learn.mq.edu.au/>)
- Students will need a calculator (financial or scientific) which must be brought to each class.
- Students should be confident and proficient in the use of word processing, spreadsheets and be able to research databases on the web. The text provides useful guides to Excel for each topic which will help with the set assignment tasks.

LEARNING OUTCOMES

The learning outcomes of this unit are:

1. Knowledge outcomes
 - a. understand the general principles of security and portfolio valuation and analysis
 - b. understand the role of global financial markets in the allocation of funds
 - c. understand the financial risks faced by investors and fund managers and basic principles on how to manage these risks
2. Competency outcomes: use techniques to make informed portfolio selection and measurement
3. Value outcomes: point to valuable experiences in teamwork so developing interpersonal, communication and leadership skills.

GRADUATE CAPABILITIES

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop the capabilities the University's graduates will need to develop to address the challenges, and to be effective, engaged participants in their world. This unit contributes to this by developing the following graduate capabilities:

1. Discipline Specific Knowledge and Skills
2. Critical, Analytical and Integrative Thinking
3. Problem Solving and Research Capability
4. Creative and Innovative
5. Effective Communication
6. Engaged and Ethical Local and Global citizens
7. Socially and Environmentally Active and Responsible
8. Capable of Professional and Personal Judgement and Initiative
9. Commitment to Continuous Learning

TEACHING AND LEARNING STRATEGY

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

The mid-session examination also serves as an interim check point on the progress of the students, so that individually tailored assistance and guidance could be provided to the students in their learning process where appropriate. Mid-session and final examinations are closed book examinations.

Details of the Investment Management Assignment will be provided in a separate document at a later date. The assignment is specially designed for the students to develop professional and academic research and analytical skills, and the generic skills specified earlier. The Investment Management Assignment report is to be submitted during Seminar 13.

RESEARCH AND PRACTICE

- This unit uses research from external sources. The lecture material regularly draws on the results of papers published in highly ranked academic journals, for example Journal of Finance, Journal of Financial Economics, Journal of Financial Markets, Quarterly Journal of Economics etc.
- This unit gives you practice in applying research findings in your assignments.
- This unit gives you opportunities to conduct your own research through the investment management simulation.

RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

The lecturer will explain and illustrate the key concepts in the discipline, and their professional and academic applications via an interactive mode. This teaching and learning strategy would stimulate students' interest and analytical thinking, and further develop their investment decision processes in a disciplined manner.

At the postgraduate level, students are expected to establish the discipline of self-learning and self-studying. Accordingly, students are expected to read the suggested references on the seminar topics each week, work through the review questions. Students are encouraged to form study groups which can aid learning.

Many of the revision questions are drawn from past examinations for the Chartered Financial Analysts (CFA) program. The mid-session and final examination papers may have a similar format. Solutions to the revision questions are available from the LEARN website.

SEMINAR PROGRAM

Seminars	Readings and Revision Questions*
Seminar 1: Risk and Return	BKM Ch. 5 Q. 1,2,7,10,11,14 CFA Q. 1,2

Seminar 2: Risk Aversion and Risky Assets	BKM Ch. 6 Q. 1,2,4,6,10,11,17 CFA Q. 1,2,3,4,5
Seminar 3: Optimal Portfolios Index Models	BKM Ch. 7 Q. 2,3,4,5,6 CFA Q. 1,2,4,5,6,7,11,12 BKM Ch. 8 Q. 2,3,4,6,7,17 CFA Q. 1,4,5
Seminar 4: Capital Asset Pricing Model Arbitrage Pricing Theory	BKM Ch. 9 Q. 2,3,9,17,18,23 CFA Q. 1,2,3,4,5,6,7 BKM Ch. 10 Q. 1,3,4,5,10 CFA Q. 1,2,3,4,5,6
Seminar 5: Efficient Markets Behavioural Finance	BKM Ch. 11: Q. 1,2,3,4,9,11,12,14 CFA Q. 1,2,3,4,5 BKM Ch. 12: Q. 1,2,3,5 CFA Q. 1,2
Seminar 6: Evidence on Security Returns Mid-session Examination	BKM Ch. 13: Q. 1,3,5 CFA Q. 1,2
Seminar 7: Bonds Term Structure of Interest Rates	BKM Ch. 14: Q. 2,3,4,6,8,9,11 CFA Q. 3 BKM Ch. 15: Q. 1,3,7,8,10 CFA Q. 2,3,5
Seminar 8: No classes because of public holiday	
Seminar 9: Macroeconomic and Industry Analysis Equity Valuation Models	BKM Ch. 17: Q. 1,4,5,6,10,11,12 CFA Q. 3,4,5 BKM Ch. 18: Q. 1,2,8,9,10,19 CFA Q. 1
Seminar 10: Financial Statement Analysis	BKM Ch. 19: Q. 2,3,4,5,6 CFA Q. 3,4,5
Seminar 11: Options	BKM Ch. 20: Q. 1,2,3,5,6,8,18,19 CFA Q. 5
Seminar 12: Performance Evaluation	BKM Ch. 24: Q. 1,3,4,5,7,8,9,10 CFA Q. 1,2,4,5,6
Seminar 13: Investment Management Report	

*It is important that the set exercises from the text be undertaken each week. Answers are on Learn MQ, thus providing the student with immediate feedback and the means to assess progress in the subject

Assessment tasks in summary

Mid-session examination (1 hour)	20%
Investment management report	20%
Final examination (2 hours)	60%

	Assessment Task 1	Assessment Task 2	Assessment Task 3
Title/Name	Mid-session exam	Report	Final Exam
Description (<i>including length or similar if applicable</i>)	1 hour	3000 words. Report topic and dates for individual tasks will be given in Seminar two	2 hours
Due date	Seminar 6	Seminar 13	As per timetable
% Weighting	20%	20%	60%
Grading method	MC covering material from seminar topics 1 to 4	A professionally presented and researched report. Team leader to submit the particular stock chosen by email on set weeks A cover sheet and grading guide will be provided Please refer to guides in library regarding report writing.	MC, short answer questions and problems including specific topics from assignment. The final examination will examine topic material not covered in mid-session exam
Submission method		Report handed in Seminar 13	

	Assessment Task 1	Assessment Task 2	Assessment Task 3
Feedback (<i>type, method, date</i>)	Learn MQ	Report and feedback will be available from the Business and Economics Graduate Centre within two weeks after the end of the semester	
Estimated student workload (hours)	9 hours minimum per week		
Learning outcomes assessed			
1a	X	X	X
1b	X	X	X
1c	X	X	X
2		X	
3		X	
Graduate capabilities assessed			
1	X	X	X
2	X	X	X
3		X	
4		X	
5		X	
6		X	
7		X	
8	X	X	X
9	X	X	X

- Early low risk diagnostic task:** This unit covers much material each week and there is little time for revision during the session. So as to ensure that students understand the material presented, the text provides additional self-check questions throughout the chapter. Students should attempt these questions before moving on in order to assess their own progress and ensure they will not be left behind. Answers are provided at the end of the chapter and so there is immediate feedback. These self-check questions are in addition to the specific problems set each week with answers on Learn MQ. If these questions and problems are undertaken each week students will be able to assess whether they are coping with the subject from week one when there is still time for remedial action, rather than wait for the results of the mid-session exam. Students experiencing problems are required to seek advice from the lecturer to discuss remedial measures.
- Assignment:** The group assignment is to be handed in class at the beginning of Seminar 13. There will be no extensions granted.

- **Attendance:** Although no mark is given for attendance at lectures, students are strongly advised to attend each week and have adequately prepared beforehand by reading the set chapters in the text. This preparation aids understanding of the topic and allows the student to make a contribution in class.

After the lecture the text chapter/s should be read again and the set exercises attempted before checking the answers given in Learn MQ.

- **Examinations**

Mid-session and final examinations are included as assessment tasks for this unit to provide assurance that

- i) the product belongs to the student and
- ii) the student has attained the knowledge and skills tested in the exam.

The one hour mid-session exam will be held in class and the two hour final examination for this unit will be held during the University Examination period.

The University Examination period is from Monday, 6th June to Friday, 24th June 2011.

You are expected to present yourself for examination at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations.

<http://www.timetables.mq.edu.au/exam>

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. The University's policy on special consideration process is available at

http://www.mq.edu.au/policy/docs/special_consideration/policy.html

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. (Individual Faculties may wish to signal when the Faculties' Supplementary Exams are normally scheduled.)

The Macquarie university examination policy details the principles and conduct of examinations at the University. The policy is available at:

<http://www.mq.edu.au/policy/docs/examination/policy.htm>

ACADEMIC HONESTY

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim

- all academic collaborations are acknowledged
- academic work is not falsified in any way
- when the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at

http://www.mq.edu.au/policy/docs/academic_honesty/policy.html

GRADES

Please refer to relevant pages in the Handbook of Postgraduate Studies.

GRADING APPEALS AND FINAL EXAMINATION SCRIPT VIEWING

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

http://www.businessandconomics.mq.edu.au/for/new_and_current_students/undergraduate/admin_central/grade_appeals.

SPECIAL CONSIDERATION

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at:

http://www.mq.edu.au/policy/docs/special_consideration/procedure.html

STUDENT SUPPORT SERVICES

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

IT CONDITIONS OF USE

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorised coursework for approved units. At all times, student ID cards must be displayed in the locations provided.

Students are expected to act responsibly at all times when utilising University IT facilities. The following regulations apply to the use of computer labs and online services:

- Accessing inappropriate web sites, or downloading inappropriate material, are not permitted, material that is not related to coursework in units authorised to use these facilities is deemed inappropriate.
- Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may possibly result in criminal proceedings.

Non-compliance with these conditions may result in disciplinary action without further notice.

Students must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.