Unit code: Afin 837

Unit Name: Capital Markets

Semester One

Year 2012

Department of Applied Finance and Actuarial Studies
MACQUARIE UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
UNIT OUTLINE

Year and Semester: 2012 Semester 1

Unit Coordinator: Siang Chang

Prerequisites:

- Basic knowledge of financial mathematics
- ACST603 or admission to MCom or MIB or MEd or MActPrac prior to 2011

Credit points: 4 Credit Points

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 the lecturer.

ABOUT THIS UNIT

The objective of this unit is to provide an overview of the operation of the capital markets in Australia. The financial institutions are described and the securities offered by these institutions are reviewed. Emphasis is placed on the financial instruments available to companies and investors from the equity, debt and derivative markets.

TEACHING STAFF

Siang CHANG Mobile: 0411 954 519
Siang.Chang@mq.edu.au

CONTACTING STAFF

Consultation time is by arrangement via SMS and/or email.

You are encouraged to seek help at a time that is convenient to the lecturer and yourself.

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

CLASSES

There are twelve lectures and one in-class Mid-Semester test conducted in the following classes

To Be Confirmed

Mid-Semester break: 5\textsuperscript{th} April 2012 to 22\textsuperscript{nd} April 2012.
**REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS**


The textbook may be purchased from the Macquarie University Co-op Bookshop, and students are advised to buy the book if they require additional reading to improve their understanding of the lectures.

**TECHNOLOGY USED AND REQUIRED**

Calculators will be allowed in the exams, and students are advised to bring their calculators to class.

If you are planning to use a programmable calculator, make sure that you erase all manually created programmes and stored information, and ask for permission from the lecturer before using it in the exams.

You are expected to show all workings for your calculations. All calculations should be to two decimal places, and rounding should be left till the end. Excessive and premature rounding will be penalised.

**UNIT WEB PAGE**

The course material is available in [http://ilearn.mq.edu.au](http://ilearn.mq.edu.au)

Students are advised to check the unit website regularly, and ensure that all material posted on the website can be accessed without difficulties. If you are unable to access any of the material on the website, check with your classmates first before notifying your lecturer of the problem.

**LEARNING OUTCOMES**

1. Distinguish between various sectors of the financial market and the nature of the financial claims of the participants

2. Identify the factors responsible for trends in regulation, the role of and the growth in the sources and uses of funds of the banking sector and the non-bank financial institutions

3. Explain the characteristics of corporate funding sources and the processes involved in raising funds

4. Critically evaluate the relative merits of short term and long term debt and changes in the supply and demand for particular debt securities

5. Analyse the role of futures and options in the management of risk by the market participants
6. Review the complex interactions between the banks, government and Reserve Bank operations in relation to the supply of money and interest rate determination.

**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 and engaged participants in their world.

This unit contributes to this by developing the following graduate capabilities:

1. **Discipline Specific Knowledge and Skills**
   - to acquire working knowledge of the capital markets in Australia

2. **Critical, Analytical and Integrative Thinking**
   - to investigate a real life issue related to capital markets, and to apply critical, analytical and integrative thinking to the event.

3. **Problem Solving and Research Capability**
   - student must research a capital markets issue that is current and of sufficient complexity.
   - The process of identifying a suitable topic allows a student to browse many area of interest, and thus exposed the student to a wide range of capital markets event

4. **Creative and Innovative**
   - The study of the capital markets event allows the student to come up with some creative and innovative solution to the problem

**Learning and Teaching Activities**

The lecture notes, the multiple-choice questions (MCQ), and answers to selected essay questions are available on “iLearn”.

Answers to the MCQ may contain error. It is important that students work through the MCQ and challenge the answers given. Correction will be posted on the unit website regularly as error is discovered.

Students are advised to keep up to date with the MCQ and the essay questions, as at least 65% of the test and final exam questions will be based on them.

Make sure you have the same version of material as that in “iLearn”.

A Case study is to be handed in during Lecture 13. This will require the group to research a topic (maximum 3000 words) related to Capital Markets and based on recent events no later than three years old. See Attachment 1 for some examples.

The Assessment Task 1 (Quiz) and 2 (Test) are conducted during class time. The half-hour Quiz will be conducted in class during Lecture 4, and it will cover some of the materials from
the first three lectures. The mid-semester test will be conducted during Lecture 7, the format and content will be confirmed in Lecture 5.

You are strongly advised to sit for the Quiz and the Test at the class time you have enrolled for, a change of assessment time will be very difficult to arrange.

The final exam will cover the remaining material. It will be conducted during the examination period and arranged by the Academic Program Section. Please check the official timetable for the time and location.

**RESEARCH AND PRACTICE**

- This unit uses research from external sources (references)
- This unit gives you practice in applying research findings in your Case Study
- This unit gives you opportunities to conduct your own research

**RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES**

<p>| Assessment Task 1: Quiz (Lecture 4) | 5% |
| Assessment Task 2: Mid-semester test (Lecture 7) | 35% |
| Assessment Task 3: Case study (Lecture 13) | 20% |
| Assessment Task 4: Final examination (check official timetable) | 40% |</p>
<table>
<thead>
<tr>
<th>Assessment Task 1</th>
<th>Assessment Task 2</th>
<th>Assessment Task 3</th>
<th>Assessment Task 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title/Name</td>
<td>Quiz</td>
<td>Test</td>
<td>Case study</td>
</tr>
<tr>
<td>Description</td>
<td>30 min</td>
<td>2hr 45min</td>
<td>Full semester activity</td>
</tr>
<tr>
<td>Due date</td>
<td>Lecture 4</td>
<td>Lecture 7</td>
<td>Lecture 13</td>
</tr>
<tr>
<td>% Weighting</td>
<td>5%</td>
<td>35%</td>
<td>20%</td>
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<tr>
<td>Grading method</td>
<td>- Completeness of answers</td>
<td>- Completeness of answers</td>
<td>- Structure of report</td>
</tr>
<tr>
<td>- Accuracy of answers</td>
<td>- Accuracy of answers</td>
<td>- Quality of answers</td>
<td>- Quality of answers</td>
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<tr>
<td>- Quality of answers</td>
<td>- Quality of answers</td>
<td>- Structure of report</td>
<td>- Quality and complexity of issue chosen</td>
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<td>- Standard of argument</td>
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<td>- Overall presentation</td>
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<tr>
<td>Submission method</td>
<td>In Class</td>
<td>In Class</td>
<td>In Class</td>
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<tr>
<td>Feedback</td>
<td>Quiz will be returned by Lecture 6</td>
<td>Test paper will be returned by Lecture 13</td>
<td>Incorporated in overall mark</td>
</tr>
<tr>
<td>Estimated student workload (hours)</td>
<td>5 hours per week minimum</td>
<td>5 hours per week minimum</td>
<td>40 hours or more</td>
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<tr>
<td>Learning outcomes assessed</td>
<td></td>
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<td>Most of the learning outcomes 1 to 6</td>
</tr>
<tr>
<td>1</td>
<td>Required</td>
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<td>2</td>
<td>Required</td>
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<td>Graduate capabilities assessed</td>
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Class attendance is recommended but not compulsory. It should be noted some of the assessment material is based on the lecture.

Quiz, mid-term test and final examination are included as an assessment task for this unit to provide assurance that the student has attained the knowledge and skills tested in the exams.

You are expected to present yourself for the quiz and test in Lecture 4 and 7 at the enrolled time and place of your normal lecture. The final exam 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://exams.mq.edu.au/

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 supplementary examination will be scheduled after the conclusion of the official examination period.

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

Late submission of the case study is not acceptable. A penalty of 1% per day late will be deducted from the mark awarded to the case study. For example, a case study is awarded 16% out of 20%, and is 2 days late, the mark will be 14% out of 20% after deducting the penalty of 2%.

**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

Macquarie University uses the following grades in coursework units of study:

HD - High Distinction
D - Distinction
CR - Credit
P - Pass
F - Fail

Grade descriptors and other information concerning grading are contained in the Macquarie University Grading Policy which is available at:


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.businessandeconomics.mq.edu.au/new_and_current_students/undergraduate_current_students/how_do_i/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 recognizes 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 and other services for students 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. Student ID cards must be displayed in the locations provided at all times.

Students are expected to act responsibly when utilising University IT facilities. The following regulations apply to the use of computing facilities and online services:

- Accessing inappropriate web sites or downloading inappropriate material is not permitted. Material that is not related to coursework for approved unit 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 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.
<table>
<thead>
<tr>
<th>Lecture</th>
<th>WEEK STARTING (Sunday)</th>
<th>CHAPTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lecture 1</td>
<td>26&lt;sup&gt;th&lt;/sup&gt; Feb 2012</td>
<td>A modern financial system</td>
</tr>
<tr>
<td>Lecture 2</td>
<td>4&lt;sup&gt;th&lt;/sup&gt; Mar 2012</td>
<td>Commercial banks</td>
</tr>
<tr>
<td>Lecture 3</td>
<td>11&lt;sup&gt;th&lt;/sup&gt; Mar 2012</td>
<td>Non-bank financial Institutions</td>
</tr>
<tr>
<td>Lecture 4</td>
<td>18&lt;sup&gt;th&lt;/sup&gt; Mar 2012</td>
<td>Class Quiz</td>
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<tr>
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<td>The sharemarket and the corporation</td>
</tr>
<tr>
<td>Lecture 5</td>
<td>25&lt;sup&gt;th&lt;/sup&gt; Mar 2012</td>
<td>Corporations issuing equity in the share market</td>
</tr>
<tr>
<td>Lecture 6</td>
<td>1&lt;sup&gt;st&lt;/sup&gt; Apr 2012</td>
<td>Investors in the share market</td>
</tr>
<tr>
<td>Lecture 7</td>
<td>22&lt;sup&gt;nd&lt;/sup&gt; Apr 2012</td>
<td>Mid-Semester Test Ch 1 to 6 (To be confirmed)</td>
</tr>
<tr>
<td>Lecture 8</td>
<td>29&lt;sup&gt;th&lt;/sup&gt; Apr 2012</td>
<td>Short-term debt</td>
</tr>
<tr>
<td>Lecture 9</td>
<td>6&lt;sup&gt;th&lt;/sup&gt; May 2012</td>
<td>Medium-to-longer term debt</td>
</tr>
<tr>
<td>Lecture 10</td>
<td>13&lt;sup&gt;th&lt;/sup&gt; May 2012</td>
<td>Futures contracts and forward rate agreements</td>
</tr>
<tr>
<td>Lecture 11</td>
<td>20&lt;sup&gt;th&lt;/sup&gt; May 2012</td>
<td>Options</td>
</tr>
<tr>
<td>Lecture 12</td>
<td>27&lt;sup&gt;th&lt;/sup&gt; May 2012</td>
<td>Government debt, monetary policy and the payments system</td>
</tr>
<tr>
<td>Lecture 13</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt; June 2012</td>
<td>Case study Due In class An introduction to interest rate determination and forecasting</td>
</tr>
</tbody>
</table>

Note 1: Mid Semester Test – format and content will be confirmed in Lecture 5.

Note 2: Final exam – format and content will be confirmed in Lecture 12. See official exam timetable for the date, the time and the location.
ATTACHMENT 1-EXAMPLES OF CASE STUDY TOPIC

The case study may be conducted individually or in a group of no more than 4 members. If you plan to do it in a group, you are responsible to find your group members, and provide a mark (out of 100%) and a brief description of the responsibility for each of the group members in the report. The case study mark for each member will be allocated in accordance with the effort and quality of the work. See Attachment 2 for some guidelines on the method of grading.

The case study should research events related to Capital Markets and based on recent events that are no later than three years old. At least half of the report must be related to the Capital Markets in Australia, and the remaining from any other countries if necessary. You should seek approval from the lecturer if you wish to write about the Capital Markets in countries other than in Australia.

Please submit THREE topics for approval in Lecture 6. You should:

- state the date and time of submission, and class details
- write the names, mobile numbers and email addresses of your group members
- nominate your preferred topic, followed by TWO alternative topics (if necessary)
- provide a brief outline of your essay plan

This is to avoid duplication of topics between groups, and those groups who submit earlier will be given priority to write the preferred topic.

You may not copy any material from any textbooks, although you may use any other reference material. e.g. magazines, newspapers, websites, company reports etc. A qualitative approach is preferred, extensive quantitative analysis is not encouraged.

Some topics of interest are as follows (you can design your own topic):
1. Changes in capital raising activities in Australia and overseas in recent years
2. The implementation and impact of recent Australian Government policies on the capital markets
3. Comparison of current financial crises vs previous crises
4. Causes and responses to recent corporate failures in Australia and overseas
5. Recent changes in the Risk Management regulations and policies due to GFC
6. Recent development of the Superannuation Industry
7. Recent development of the Real Estate (mortgage, housing) market
8. The GFC, European debt crises and the recent impact on the worldwide capital markets

The report must not exceed 3000 words, and the following format is suggested.
1. Use Portrait orientation
2. Use Times New Roman font, size 12 points
3. Use 1.5 spacing
4. Use A4 paper, single or double sided
5. Staple at the top left hand corner
6. Do not put the report in plastic sleeves or folders
The report must contain the following:
1. Cover page-including Course name, Title of report, Full name and Student ID.
2. Content
3. Executive Summary-A one page summary of the key findings of your research
4. Introduction-Provide a road map of how the report is structured
5. Body-Use as many headings as possible. Do not combine too many issues under one heading
6. Conclusion and Recommendation-This is not a summary, but to state some of the key issues you have found from the research, and any recommendation you may have as a result of your research.
7. Bibliography: You may use any system for referencing, a helpful guide can be found at: http://www.usq.edu.au/library/Breeze/Fac_Business/HarvardAGPS/
The grading for the case study report is based on the following guidelines:

<table>
<thead>
<tr>
<th>Levels of Understanding</th>
<th>Indicative Verbs</th>
<th>Possible Grades</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-structural</td>
<td>No understanding, Irrelevant information, Misses point</td>
<td>0% to 45%</td>
</tr>
<tr>
<td>Uni-structural</td>
<td>Identify, Do procedure, Recite, Memorise</td>
<td>50% to 64%</td>
</tr>
<tr>
<td>Multi-structural</td>
<td>Classify, Combine, Describe, List Do algorithms, To enumerate</td>
<td>65% to 74%</td>
</tr>
<tr>
<td>Relational</td>
<td>Explain cause, Integrate, Relate, Compare/contrast, Analyse, Apply</td>
<td>75% to 84%</td>
</tr>
<tr>
<td>Extended Abstract</td>
<td>Generalise, Hypothesise, Theorise, Reflect, Generate</td>
<td>85% and above</td>
</tr>
</tbody>
</table>

*Surface understanding*

*Deep understanding*