

MACQUARIE UNIVERSITY

Division of Economic and Financial Studies



FIN 310
ISSUES IN APPLIED FINANCE
Semester 1, 2006

Unit Outline

Unit webpage:

<http://www.econ.mq.edu.au/courses/fin310new/>

Lecturer-in-charge
George Milunovich

Students should read this unit outline carefully at the start of semester. If anything in this outline is unclear, please contact the lecturer in charge for further clarification.

1. Unit overview

This unit attempts to provide an understanding of how theory and practice interconnect in cutting-edge issues in applied finance.

Lectures are presented by leading practitioners from the finance industry who outline and discuss with students the latest models and techniques in use. These are supplemented by lectures from experienced university staff.

Presenters are also often more than willing to answer informal questions about what the industry expects from graduates in finance, how best to obtain and survive an interview, how to get a challenging and promising position in the finance and investment industry, how to plan a successful career, and the mistakes to avoid.

The list of presenters, their affiliations and their topics, and the dates of their presentations is given below (refer section 6).

2. Unit meeting and lecturer contact info

Class Location:	X5B T1
Class Time:	Mondays, 6-9pm
Lecturer in Charge:	George Milunovich
Office:	E4A-443
Tel:	9850 8543
Email:	george.milunovich@efs.mq.edu.au
Office Hours:	Mondays, 3-5pm

3. Assessment

The unit assessment will be based on an assignment and a final exam, with the following weights:

Assignment:	25%
Final Exam:	75%

The **assignment** will be a combination of short-answer questions and mathematical problems. It will cover everything up to the mid-semester break and will be **due** in the second week after the break on **May 8, 2006**. The assignment must be submitted using the official cover sheet, with the plagiarism declaration (available on WebCT) **signed**. Submit the assignment in the FIN 310 boxes provided in **ERIC**.

The **final exam** will comprise both multiple choice and long-answer questions.

The final exam MUST be passed for you to gain a passing mark in this unit.

4. Class/lecture preparation

Overheads for each lecture will be available in ERIC and on the WebCT by the end of the day, on the Thursday prior to the lecture. Occasionally there will be additional suggested reading available at the same time.

5. FIN310 Prize

The *Australian Financial Review Prize in Applied Finance* is awarded each year to the most outstanding student in FIN310. The prize is kindly sponsored by the Australian Financial Review and is valued at \$250 plus a six month complimentary subscription to the AFR.

6. Lecture and Topic Schedule

Week	Date	Lecturer and Topic
1	27 February	George Milunovich (Macquarie University) Introduction and Malcolm Voyce (Macquarie University) Legal environment
2	6 March	Dr. Edwin Franks (Macquarie University) Applications of Stochastic Analysis in Finance I
3	13 March	Dr. Edwin Franks (Macquarie University) Applications of Stochastic Analysis in Finance II
4	20 March	Dr. Edwin Franks (Macquarie University) Applications of Stochastic Analysis in Finance III
5	27 March	Mr. Martin Stockley-Smith (Sydney Futures Exchange) Clearing and Settlement Operations
6	3 April	Mr. Clement Chong (Senior Credit Officer, Moody's) The Credit Rating Process
7	10 April	Mr. Arthur Wassink (Head of Portfolio Management Unit and Financing Product, Westpac) Credit Risk Modeling I
Mid-semester Break		
8	1 May	Dr. John Jarratt (Head of Group Portfolio Unit, Westpac) Credit Risk Modeling II
9	8 May	Mr. Craig McBurnie (<i>Director, Commodity Derivatives, ABN AMRO Bank</i>) Commodity Markets and Instruments
10	15 May	Mr. Max Cappetta (Australian Equities Portfolio Manager, GMO Australia) <i>and</i> Mr. Anthony Corr (Australian Equities Research, GMO Australia) Global Funds Management
11	22 May	Mr. David Pearson (Head of Risk Operations, Trading Risk Management, Westpac) <i>and</i> Mr. Tim Dun (Westpac) Managing Market Risk
12	29 May	Mr. Tim Stringer (Property Portfolio Manager, AMP) Commercial Property Investment
13	5 June	Mr. George Milunovich (Macquarie University) Predictability of Returns

7. Learning Outcomes

The globalization of financial markets offers opportunities but it also introduces new risks. As a response, novel investment techniques and market as well as credit risk management models have been introduced or are in the development stage. Through lectures presented by top finance practitioners and experienced academics this unit will help you manage, and keep abreast of, changes which will face you in your future professional career.

Generic Skills: Dealing with advanced material in our subject area requires a range of generic skills. This unit aims at developing such skills. The lectures and in particular the mid-semester assignment are tailored to enhance critical analysis, problem-solving and creative thinking, comprehension, computing and writing skills. Class discussions promote verbal expression while contributions to the *Bulletin Board* improve your writing skills, which through email serve as an increasingly important communication medium. However, you will only acquire these skills by attending classes, immersing yourself into the solving the assignment questions and participating in verbal and written class debates.

8. 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. You must read the University’s practices and procedures on plagiarism. These may 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 steps 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.

9. University Policy on Grading

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

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

It is important that you realize that the policy does not require that a minimum number of students be failed in any unit. In fact, it does something like the opposite, requiring examiners to explain their actions if more than 20% of the students fail a unit.

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

For an example of the policy see

<http://www.mq.edu.au/senate/MQUonly/Issues/Guidelines2003.doc> or
<http://www.mq.edu.au/senate/MQUonly/Issues/detailedguidelines.doc>

10. Student Support Services

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