Year and Semester: Semester 1, 2011.

Unit convenor: Chris Heaton

Prerequisites: (ECON141 or ECON241 or 3cp from STAT271-273) and (ECON200 or ECON201 or ECON203 or ECON204)

Credit points: 3

Students in this unit should read this unit guide 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 economic forecasting. The topics covered usually include exponential smoothing, ARIMA and vector autoregression. The emphasis of the unit is on producing sound solutions to practical forecasting problems, rather than proving theoretical results for their own sake. The unit material is illustrated with applications to forecasting problems in economics and business, and the assigned work requires students to produce their own forecasts. Practical work is carried out using an econometric software package. The objective of the unit is to produce graduates who understand the nature of forecasting problems and can produce sound forecasts for use in business and economic analysis.

TEACHING STAFF

- Convenor: Chris Heaton, E4A-414, 9850-9921, chris.heaton@mq.edu.au.
- Tutor: Prashan Karunaratne, E4A-449, 9850 8409, prashan.karunaratne@mq.edu.au.

CONTACTING STAFF

- The best way to get help with the unit material in ECON361 is to put a question on the online discussion forum. This forum is continually monitored by the teaching staff and it provides the quickest way of getting useful assistance. Attachments (e.g. data sets, spreadsheets, code, screen shots, etc) may be included in forum postings and the website includes instructions for entering mathematical notation. In addition to being monitored by staff, the online discussion forum is available to all students and questions posted to the forum often generate discussion that is of greater benefit than the staff response alone. Furthermore, over the semester, the accumulated postings on the forum provide a searchable list of the problems that students have
encountered during the unit, and the solutions that have been found. This is beneficial to both student and staff. For these reasons, the online discussion forum will be the primary form of communication in the unit outside class times.

- The tutorial program is structured in such a way as to leave time for students to seek help from tutors during class time. Since all tutorials are conducted in the computer laboratories, this will sometimes be the best way to seek help with a problem.
- In general, staff will not respond to individual emails about the unit material since such matters should be discussed in the online discussion forum or in class. Having said this, students are welcome to email staff at any time about personal matters or anything else that is not appropriate for class discussion, and can expect a prompt response. Students who wish to make an appointment to see a staff member in his office should send an email outlining the student’s availability to meet over the following couple of days.
- Students experiencing significant difficulties with any topic in the unit must seek assistance immediately.

**CLASSES**

- There is a single 2 hour lecture class per week, each week of semester (except for Week 8 which is a public holiday). There is also a 1 hour tutorial class held in weeks 2, 3, 5, 7, 9, 11 and 12. Tests will be held during the tutorial time in weeks 4, 6, 10 and 13.
- Students must enrol in a tutorial class at the start of the semester. Students will not be permitted to change classes at a later date. Because of resource constraints, and the fact that tutorial work is assessable, students will not generally be permitted to attend a tutorial class other than the one in which they are enrolled.
- It will be assumed that students regularly attend lectures, however this cannot be enforced. Students must attend the tutorial class during the weeks of the tests. Students are also required to attend at least 5 out of the 7 tutorial classes during the weeks where there is no test.
- The timetable for classes can be found on the University web site at: [http://www.timetables.mq.edu.au/](http://www.timetables.mq.edu.au/)

**REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS**

- Students are not required to purchase a textbook for ECON361. A detailed reading list will be on the unit website, and all references are available via the Library eReserve. Students are expected to read this material.
TECHNOLOGY USED AND REQUIRED

- The main software used in this unit is gretl. The Windows version may be freely downloaded from http://gretl.sourceforge.net/win32/. For a Mac version see http://gretl.sourceforge.net/osx.html. Linux users should check their repositories (Debian and Ubuntu users can install from standard repos) or download the rpm or source from http://gretl.sourceforge.net/index.html.
- The online material used in this unit should work correctly on any modern browser. However, it has been tested on Firefox 3.6, and the website will not be modified to work with old or other non-standards-compliant browsers.
- Students will need to use a spreadsheet for some parts of this unit. Microsoft Excel will be provided in the computing laboratories and must be used in the tutorials and tests.

UNIT WEB PAGE

- The web page for this unit can be found at: http://econometrics.mq.edu.au/moodle/.
- A Blackboard site will also exist for ECON361. However, this will only be used in the unlikely event of a sustained failure of the main website.

LEARNING OUTCOMES

The learning objectives of this unit are:

- to understand the nature of forecasting and to recognise forecasting problems in practice;
- to be able to construct forecasts using some standard forecasting models;
- to be capable of assessing competing forecasting models;

The learning outcomes of this unit are:

- the ability to estimate measures of forecast accuracy and rank forecasting models;
- the ability to seasonally adjust and detrend data;
- the ability to choose between alternative smoothing models in practice;
- the ability to implement smoothing models to produce forecasts;
- the ability to identify, estimate and forecast with ARIMA models;
- the ability to specify, estimate and forecast with vector autoregressions.

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. Numeracy skills;
2. Computing skills;
3. Critical, Analytical and Integrative Thinking;
4. Problem Solving and Research Capability.

**TEACHING AND LEARNING STRATEGY**

- ECON361 is taught by lectures, set reading, tutorial exercises, class discussion and online discussion. Students are expected to attend lectures, read the relevant material after the lecture, attend tutorial classes, submit tutorial and other exercises regularly, and participate in online discussions and class discussions.

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
<th>Tutorials/Tests</th>
<th>Homework Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week1</td>
<td>Introduction, Evaluation</td>
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<tr>
<td>Week2</td>
<td>Time series decomposition</td>
<td>Tutorial 1</td>
<td></td>
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<tr>
<td>Week3</td>
<td>Exponential smoothing</td>
<td>Tutorial 2</td>
<td></td>
</tr>
<tr>
<td>Week4</td>
<td>Exponential smoothing</td>
<td>Diagnostic Test</td>
<td>Homework 1 and 2</td>
</tr>
<tr>
<td>Week5</td>
<td>ARIMA</td>
<td>Tutorial 3</td>
<td>Homework 3</td>
</tr>
<tr>
<td>Week6</td>
<td>ARIMA</td>
<td>Test 1</td>
<td></td>
</tr>
<tr>
<td>Week7</td>
<td>ARIMA</td>
<td>Tutorial 4</td>
<td></td>
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<tr>
<td>Week8</td>
<td>Long weekend (no classes)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Week9</td>
<td>ARIMA</td>
<td>Tutorial 5</td>
<td>Homework 4</td>
</tr>
<tr>
<td>Week10</td>
<td>Vector autoregression</td>
<td>Test 2</td>
<td></td>
</tr>
<tr>
<td>Week11</td>
<td>Vector autoregression</td>
<td>Tutorial 6</td>
<td>Homework 5</td>
</tr>
<tr>
<td>Week12</td>
<td>Vector autoregression</td>
<td>Tutorial 7</td>
<td>Homework 6</td>
</tr>
<tr>
<td>Week13</td>
<td></td>
<td>Test 3</td>
<td></td>
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**RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES**

Students are required to complete regular tutorial exercises which explore the material which has been covered in the lecture and the reading in the previous week. Answers must be submitted in the tutorial class. Students must also complete homework exercises throughout the semester, sit for 3 tests, and sit for a diagnostic test in Week 4. There is no final examination in ECON361.

A list of assessment tasks, their value, and their submission times is presented in Table 2.
Table 2: List of Assessment Tasks

<table>
<thead>
<tr>
<th>Task</th>
<th>Value</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tutorial exercises</td>
<td>5% (best 5 out of 7)</td>
<td>Submitted online in enrolled tutorial class in weeks 2, 3, 5, 7, 9, 11 and 12</td>
</tr>
<tr>
<td>Homework</td>
<td>10%</td>
<td>Submitted online by 10am Friday morning in weeks 4, 5, 9, 11, 12</td>
</tr>
<tr>
<td>Diagnostic test</td>
<td>5%</td>
<td>Held in enrolled tutorial class in Week 4</td>
</tr>
<tr>
<td>Class tests</td>
<td>26.67% each</td>
<td>Held in enrolled tutorial class in weeks 6, 10 and 13</td>
</tr>
</tbody>
</table>

**Tutorial Exercises:** In each tutorial class, students will be given a set of exercises based on the work recently covered in lectures. The answers to the questions must be submitted prior to the end of the class. Students may attempt the exercises multiple times during the class. Students are permitted to consult reference material, and to discuss the questions with the tutor and with other students. The tutorial questions and solutions will be published during the week following each class. Since we need to provide each enrolled student with a working computer, students are only permitted to attend the class in which they are enrolled. The tutorial exercises require a total of approximately 7 hours of work. Students who do not submit a tutorial exercise in class will be awarded a mark of zero for that particular exercise and will not be permitted to attempt it for credit at a later date. In cases where a student submits a satisfactory Special Consideration application, which explains their non-attendance at a minimum of 3 tutorial classes, the weighting of that student’s tutorial component will be adjusted accordingly.

**Homework Exercises:** Each homework exercise will be released when the necessary work has been covered in class, and will cover work done since the previous homework exercise. It is intended that students will work on the homework exercises independently. Students who have clearly colluded will be awarded a mark of zero, will not be permitted to resubmit, and may be reported to the University Disciplinary Committee for further action. The exercises must be submitted online prior to the due date and time. Each exercise may be submitted multiple times prior to the deadline, and only the final submission will be marked. Each homework exercise will require approximately 2 hours of work. Marks and solutions to the homework exercises will be released within a few days of submission. Students who do not submit a homework exercise will be awarded a mark of zero for that exercise. No extensions will be granted. In cases in which a student submits a satisfactory Special Consideration application, which documents incapacitation for at least 3 consecutive days, the weighting of that student’s homework component will be adjusted accordingly.

**Tests:** Each test will cover the work that has been done in class since the previous test. The tests will be completed in the tutorial class at the specified times and will be 45 minutes long. Students must attend the tutorial class in which they are enrolled in order to sit the test. Marks will be released within a few days of the completion of the test. Students must bring their Macquarie University student identity card to the test. Students should also bring a pen. The tests are ‘closed book’ and calculators are not
permitted. Students will be provided with paper for rough work, but the answers will be submitted online. Exam conditions will be strictly enforced. Students must follow the examiner's instructions. In cases where students seek to access any form of reference material, communicate with any person other than the examiner, or in any other way gain an unauthorised advantage, the students involved will be awarded a mark of zero for that particular test, will not be permitted to resit the test, and may be reported to the University Disciplinary Committee for further action. If a student does not sit a test, then a mark of zero will be awarded for that particular test, and the student will not be permitted to sit the test at another time. The only exception to this rule is in cases where a student makes a successful application for Special Consideration. In such cases, a supplementary test will be scheduled for the student.

The Diagnostic Test: The Diagnostic Test is a 45 minute test run during the tutorial class in Week 4 that covers some of the assumed knowledge of the unit. A practice test with solutions will be published online at the start of the semester, which will give a very clear indication of the content of the Diagnostic Test. The objective of the Diagnostic Test is to identify students whose lack of prior knowledge is likely to create difficulties for them. Students who perform poorly in the Diagnostic Test are advised to contact the unit convenor immediately to discuss strategies for completing the unit successfully. The Diagnostic Test will be conducted under the same examination conditions as the tests.

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**

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade, 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 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. 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.