



ACCG818 INVESTMENTS

Philip Cheng

Semester 1

Year 2009

MACQUARIE UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
UNIT OUTLINE

Year and Semester: 2009 Semester 1

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

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

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.

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 linkages 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.

The unit carries 4 credit points. A 4-credit point unit is meant to represent 160 hours of work for students. There are approximately 40 classroom hours (13 weeks x 3 hours/week including examination), and students are expected to spend 120 hours in research and reading, project work and case study preparation.

TEACHING STAFF

Convenor: Philip Cheng (Visiting Lecturer)

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CLASSES

The unit is comprised of thirteen (13) 3-hour face-to-face weekly seminars, which include the mid-semester and final examinations.

Apart from the examinations, each seminar consists 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

Prescribed Texts

BKM Z. Bodie, A. Kane and A. J. Marcus, **Investments**, McGraw-Hill, eight edition, 2009.

Z. Bodie, A. Kane and A. J. Marcus, **Student Solutions Manual to Accompany Investments**, McGraw-Hill, eight edition, 2009.

BM Chapters 2, 4 and 8 of M. Bazerman and D. Moore, **Judgment in Management Decision Making**, John Wiley & Sons, Inc., 2009

Seminar Notes

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

References

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

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

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

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

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

UNIT WEB PAGE

The web page for this unit can be found at the LEARN website.

LEARNING OBJECTIVES AND OUTCOMES

The objectives of the unit are firstly to introduce to students a disciplined approach and secondly to develop integrated professional and academic competence in investment.

Upon satisfactory completion of the unit, students should be able to understand and apply the following key concepts in real life investments, develop individual investment styles, undertake professional and academic research in the discipline, 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 the unit is to assist students to develop their skills in the following:

Self-awareness and interpersonal skills;
Communication skills;
Critical analysis skills;
Problem-solving and research skills as a practitioner and an academic;
Creative thinking skills.

TEACHING AND LEARNING STRATEGY

The lecturer would 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, 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

Seminar 4 (Week commencing Mar 16) Equity valuation – Dividend discount models – Price-earnings ratios – Free cash flow valuation	BKM Ch 18 Case on stock valuation	Please refer to solutions posted onto LEARN website.
Seminar 5 (Week commencing Mar 23) Derivatives – Derivatives as investment assets – Futures and options strategies	BKM Chs 20 and 22	Please refer to solutions posted onto LEARN website.
Seminar 6 (Week commencing Mar 30) Revision for mid semester examination Portfolio theory and practice – Risks and returns – Asset allocation – Optimal risky portfolios – Index models	Seminars 1 to 4 BKM Chs 5 - 8 Case on portfolio management	Please refer to solutions posted onto LEARN website.
Seminar 7 (Week commencing Apr 6) Mid semester examination		Solutions to the examination questions will be explained after the examination. Discussion of the assignment
Apr 10 to Apr 26	Mid-semester break	
Seminar 8 (Week commencing Apr 27) Portfolio theory and practice (con't)		Please refer to solutions posted onto LEARN website.

Seminar 9 (Week commencing May 4) Equilibrium in capital markets – Asset pricing models – Efficient market hypothesis	BKM Chs 9 -11	Please refer to solutions posted onto LEARN website.
Seminar 10 (Week commencing May 11) 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	Please refer to solutions posted onto LEARN website.
Seminar 11 (Week commencing May 18) Behavioral finance – Common biases – Framing – Common Investment Mistakes	BKM Ch 12 BM Chs 2, 4 and 8	Please refer to solutions posted onto LEARN website.
Seminar 12 (Week commencing May 25) Summary and revision	Seminars 5, 6, 8 to 11	
Seminar 13 (Week commencing June 1) Final examination	Seminars 5, 6, 8 to 12	

RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

Assessment for the unit consists of the following:

Mid-semester examination (100 minutes)	30%
Group assignment	20%
Final examination (3 hours)	50%

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

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.

While both mid-semester and final examinations are designed to assess the degree that the students have achieved the learning outcomes, the mid-term 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-semester and final examinations are open book examinations. Students may bring the prescribed text to the examination. **Texts that have solutions to the questions at the end of each chapter, seminar review questions and/or examination revision questions written on them, and photocopies of the text will not be allowed.**

Details with respect to the Group Assignment will be provided in a separate document at appropriate times. The Group Assignment is specially designed for the students to develop professional and academic research and analytical skills, and the generic skills specified earlier.

Students are expected to present themselves for examination at the time and place designated in the Unit Outline.

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. (Individual Divisions may wish to signal when the Division's Supplementaries are normally scheduled.)

Students 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.

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 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.

DETERMINATION OF OVERALL GRADE

To pass the unit (i.e. achieving HD, D, CR, P or PC), students must obtain at least 25% out of the aggregate 50% allocated to the final examination. They must also obtain at least 46% out of the total 100% for all assessment tasks.

A student who fails the final examination will have a SNG awarded as the final examination mark, irrespective of the total raw mark.

Grade Definitions

HD	High Distinction 85-100%	<i>Denotes performance which meets all unit objectives in such an exceptional way and with such marked excellence that it deserves the highest level of recognition.</i>
D	Distinction 75-84%	<i>Denotes performance which clearly deserves a very high level of recognition as an excellent achievement in the unit.</i>
Cr	Credit 65-74%	<i>Denotes performance which is substantially better than would normally be expected of competent students in the unit.</i>

P	Pass 50-64%	<i>Denotes performance which satisfies unit objectives.</i>
PC	Pass Conceded 45-49%	<i>Denotes performance which meets unit objectives only marginally.</i>
F	Fail 0-44%	<i>Denotes that a candidate has failed to complete a unit satisfactorily.</i>
FA	Fail Absent 0-44%	<i>Denotes that a candidate has failed to complete a unit satisfactorily and was absent from a compulsory final examination.</i>
W	Withdrawn	<i>No grade as student withdrew with permission prior to final examination.</i>
I	Incomplete	<i>Grade yet to be determined as all assessment tasks have not yet been completed.</i>
IS	Incomplete Supplementary	<i>Supplementary examination approved and yet to be completed</i>

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>.