MACQUARIE UNIVERSITY

Division of Economic and Financial Studies

UNIT OUTLINE

2006

ECON350: MONEY AND FINANCE
(Semester one)

Unit homepage:  www.econ.mq.edu.au/courses/econ350

Unit convenor:
Dr Kim Hawtrey (khawtrey@efs.mq.edu.au)
Welcome from Kim Hawtrey

Hi, and thanks for choosing to join us in this unit. I hope you will find it stimulating, and also really useful for your career.

I am very enthusiastic about this class. This semester my pledge to you is to try my very best to:

• communicate clearly what is expected so that you feel comfortable
  → example ... no math calculations required in the test or exam

• create a good learning atmosphere so that you feel free to explore ideas
  → example ... a choice of assignment options

• use a variety of teaching techniques that help you learn
  → example ... the ‘video lecture’ in week 4

• give constructive feedback so you know how you are travelling
  → example ... I will make written comments on your test and project

In summary, I am genuinely interested in assisting your progress, and I wish you all the best in ECON 350 this semester.

Kim Hawtrey

1. ABOUT THIS UNIT

ECON350 is about domestic (not international) financial markets (not institutions). A companion course (ECON 360) provides the global perspective and another course (ECON 335) studies financial institutions.

In this unit we look at issues raised by money and finance in today’s world. Money links together the various component parts of the economy. The finance sector is growing rapidly, with new innovations emerging all the time.

You will get the most out of ECON350 by closely following the recommendations below. Students should read this unit outline carefully at the start of semester. It
contains important information about the unit. If anything is unclear, please consult with the teaching staff in the unit.

2. **TEACHING STAFF**

Staff for the course:

Dr Kim Hawtrey (weeks 1-13)  
Room: E4A432  
Telephone: 9850-8504  
Email: khawtrey@efs.mq.edu.au

Students can receive help with study skills, lecture content, project, resources, assessment, etc. If you have general enquiries about the unit, contact the Lecturer-in-charge (Dr Hawtrey). Email is the usually the best way. For specific enquiries about course notes, lectures, etc, contact the lecturer.

3. **CLASSES**

Students attend three classroom hours per week, comprising lectures. These are delivered in first semester in the following sessions:

- **Daytime:** Thursday 3-6pm (X5BT1)  
- **Evening:** Tuesday 6-9pm (C5CT1)

Lecture slides can be obtained prior to each lecture by downloading from the unit webpage ([www.econ.mq.edu.au/courses/econ350](http://www.econ.mq.edu.au/courses/econ350)).

4. **UNIT WEB PAGE**

The web page for this unit can be found at:  

5. **LEARNING OUTCOMES**

Upon successful completion of this unit you will:

- understand how financial markets impact our lives
- be able to analyse interest rates
- handle issues of risk and forecasting
- know the strategies of players in financial markets
- relate financial processes to social issues.

In addition to these discipline-related learning objectives, the unit will develop the following generic skills:

- critical analysis skills
- media skills
6. **LEARNING TOPICS**

1. **Debt securities and markets**  
   An overview of interest-bearing securities and the money market. How to use various financial instruments (such as bills, notes and bonds) and why markets are divided into categories such as discount versus coupon, original versus derivative, primary versus secondary.

2. **Dealing in securities markets**  
   Theory of auctions, applied to selling bonds under uncertainty. Why securities have 'two prices', not just one. What underwriters do.

3. **Theories of the interest rate**  
   What economic forces determine the rate of interest? Discussion of competing theories of the 'real' interest rate in a closed economy. Looks at the 'nominal' interest rate via the Fisher identity.

4. **Happiness and financial progress**  
   Considers the 'happiness paradox' in economies with advanced financial markets. Why doesn't the growth of financial markets make us happier?

5. **Class test**  
   Duration: 45 minutes. Ten multiple choice questions plus a one-page written question, covering lecture topics 1-4.

6. **Social responsibility and financial markets**  
   Why financial markets behaviour is a social issue. Measuring corporate social responsibility. Assessing the evidence for Australian financial markets.

7. **Derivatives**  
   Illustrates how fixed-rate derivatives such as forwards, futures, swaps and FRAs work. How to use these tools to hedge risk. Describes how options work. Discusses various option strategies for the domestic financial markets.

8. **Equity securities and markets**  
   Provides an overview of dividend-bearing securities and the sharemarket. Outlines the various equity instruments (such as shares, warrants, EFTs) and how shares are traded. Risk and return in the sharemarket and key concepts such as beta and CAPM.

9. **Charting and technical analysis**  
   Introduces the methods of technical analysis and looks at how chartists track market movements in practice. Defines various terms such as ‘head and shoulders’, momentum models and support level. Discusses the fundamentals versus technical analysis debate.
10. **Project**  
No lecture this week. Spend the time completing your media project Assignment, which is due by 8.00 pm sharp Thursday 18 May.

11. **E-money and the payments system**  
How economic agents pay their bills and make payments. The evolution of ‘e-money’. Issues raised by the payments mechanism for policymakers and analysts, such as risk and efficiency.

12. **Monetary policy and transmission**  
How the RBA carries out daily liquidity management and implements changes to monetary policy settings. Contrasting monetary aggregates and interest rates as channels for policy. How a change in interest rates feeds through to the rest of the economy.

13. **Revision**  
A practice examination, with solutions, will be used for revision prior to the final exam.

7. **TEXTBOOK AND READING GUIDE**

(a) **Unit Textbook:**  

Valentine is essential and is available from the Co-Op bookshop.

(b) **Other relevant books:**  

(c) **Financial reference:**  

(d) **Glossary of terms**
A list of terms used in the unit can be found in the textbook (Valentine).

(e) Useful websites

- Reserve Bank of Australia: www.rba.gov.au
- Bank for International Settlements: www.bis.org
- Australian Stock Exchange: www.asx.com.au
- New York Stock Exchange: www.nyse.com
- Australian Financial Review: www.afr.com
- Sydney Futures Exchange: www.sfe.com.au
- Australian Prudential Regulation Authority: www.apra.gov.au
- Australian Securities and Investments Commission: www.asic.gov.au

Yahoo – Finance: finance.yahoo.com

8. Teaching and Learning Strategy

Summary: The unit is taught using the approach known as ‘experiential learning’. This seeks to involve students in their own learning as much as possible, using interactive lecture input, plus online participation, plus a class test, plus a project, plus practice exercises, plus a practice examination, leading to the final examination:

- In most weeks a set of on-line practice exercises is supplied (with solutions) to help you understand the topic better … you should work on these during week by week (these ‘online tutorials’ take the place of formal tutorials).

- In week 5 a class test will help you practice multiple choice and short answer skills.

- By week 10 an applied media project is due that will help develop your research and communication skills.

- In week 13 a practice exam paper will be made available on the unit website (with solutions) to help you get ready for the final examination.

- The final examination will test your success in the unit.

Lectures: You are expected to participate in all lectures. Lecture notes can be downloaded prior to class each week from the WebCT ECON350 homepage: http://www.econ.mq.edu.au/courses/econ350.
Assessment: Assessment for ECON350 is based on a class test, media project and final exam, weighted as shown below:

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<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tr>
<td>Class test</td>
<td>10%</td>
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<tr>
<td>Media Project</td>
<td>20%</td>
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<tr>
<td>Examination</td>
<td>70%</td>
</tr>
</tbody>
</table>

The Class test (10%) will be held in week 5, in class. It will comprise 10 multiple choice questions and a one-page written-answer question (time allowed will be 45 minutes). It will cover the material from weeks 1-4 of the course. No calculations or detailed worked case studies will be required in the test.

The Media Project (20%) is due in week 10 and is designed to develop your media/communication skills, as well as economic research skills. It includes keeping a ‘journal’ of your learning experience on the project. You are offered a choice: select ONE option from following (both are worth equal marks):

Option A: Published journalist
Option B: Financial media reviewer

For explanation of these options, see next page.
The Final Examination (70%) will be two hours in duration and will consist of a mix of multiple choice and long-answer questions. The exam will be based on the lecture notes and set textbook chapters. The examination will aim to test concepts and understanding of principles, rather than detailed application of methods. No calculations or detailed worked case studies will be required in the exam.

The examination period is in June 2006. The only exception to not sitting the exam 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 the procedure is available at http://www.reg.mq.edu.au//Forms.APSCon.pdf.

**IMPORTANT:** students must pass the final exam to pass ECON350.

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Media project: options

**Option A (Published Journalist):**
Get your views published in a recognised news outlet between now and week 10, and attach a background report explaining the issues behind your published article. It can be:
- a letter to the editor published by a newspaper/magazine; or
- you be a caller to talk-back radio (on tape); or
- publish an article or comment; or
- other published journalism of similar standing (eg blog site)

You must supply evidence of your contribution (eg press cutting or audio tape). You can work in a team of up to two people if you wish (both must perform/appear in the item). See details on page 11. Use the cover sheet on page 12. Submit a journal of your learning experience, using the Learning Journal formsheets on pages 15-16.

**Option B (Financial Media Reviewer):**
Review how the media reported on a set piece of financial research (see below), and write your own review. Use the set research paper, related file of media clippings, and readings on journalism. See details on page 13. Use the cover sheet on page 14. Submit a journal of your learning experience, using the Learning Journal formsheets on pages 15-16.

**Due date:** your project is due by **week 10 (Thursday 18 May, by 8.00 pm).**
Submit your Project at ERI C (E4A ground level) in the lodging box provided by 8.00 pm sharp on the due date, using the correct cover sheet.

All students have the opportunity to attempt the Journalist project (Option A). If your attempts at Option A are not successful, you must do the Reviewer project (Option B).
9. **UNIT PRIZE**

The Australian Finance Conference Prize for Money and Finance is awarded each year to the student selected as the most outstanding performer in ECON350. The prize is open to all students proceeding to the degree of Bachelor and is valued at $150.

10. **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 policies on plagiarism. These can be found in the Handbook of Undergraduate Studies or on the web at: [http://www.student.mq.edu.au/plagiarism/](http://www.student.mq.edu.au/plagiarism/).

11. **UNIVERSITY POLICY ON GRADING**

Academic senate has a set of guidelines on the distribution of grades across the range from Fail to High Distinction. Your final result will include one of these grades plus a standardised numerical grade (SNG). On occasion your raw mark for the Unit (i.e. the total of your marks for each assessment item) may not be the same as the SNG that you receive. Under the Senate guidelines, results may be scaled to ensure that there is comparability across the University, and across different enrolment years. The process of scaling does not change the order of marks among students. For more information on the policy see: [http://www.mq.edu.au/senate/MQUonly/Issues/Guidelines2003.doc](http://www.mq.edu.au/senate/MQUonly/Issues/Guidelines2003.doc).

12. **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](http://www.student.mq.edu.au).
### 2006 UNIT CALENDAR - ECON350

<table>
<thead>
<tr>
<th>Lecturer no.</th>
<th>Week commencing</th>
<th>Topic</th>
<th>Textbook</th>
<th>Online reading</th>
<th>Online testbank to do?</th>
<th>Lecturer</th>
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**BREAK**

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<th>Topic</th>
<th>Textbook</th>
<th>Online reading</th>
<th>Online testbank to do?</th>
<th>Lecturer</th>
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<td>chap 11</td>
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<td>E-money</td>
<td>chap 12</td>
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<td>KH</td>
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<td>12</td>
<td>29 May</td>
<td>Monetary transmission</td>
<td>chaps 8,9</td>
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<td>KH</td>
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<tr>
<td>13</td>
<td>5 June</td>
<td>Revision</td>
<td>download prac exam</td>
<td>no</td>
<td></td>
<td>KH</td>
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</table>

* Class test week 5

# Testbank exercises: these are available at [www.prenhall.com/valentine_au](http://www.prenhall.com/valentine_au)  
... you should work steadily through the exercises week-by-week, aiming to complete the exercises by week 13.
** Project: due week 10, by Thursday 18 May 8.00 pm sharp

## Text reading for topic 9 (‘Market trading and technical analysis’) is taken from the previous edition of Valentine (chapter 13) and can be downloaded from MU Library Reserve

14a. **PROJECT INSTRUCTIONS: OPTION A**

**Option A: Published journalist**

The task: (a) Get your views published in a news outlet between now and week 10. (b) Write a background report explaining the economic issues behind your contribution and the challenges you faced getting into the media and writing in ‘media style’ (c) Compile a journal reflecting on your learning experience on this assignment, using the Learning Journal on pages 15-16.

**Required length:** Part (a) minimum 25 words Part (b) 500 words Part (c) 300-500 words

**Particular instructions:**
Your published journalism could be:
- a letter to the editor published by a newspaper/magazine (can include student magazines and local papers) – supply the press cutting; *or*
- you could be a caller to talk-back radio (can include community radio) – supply a tape of your call; *or*
- publish an article or comment in a magazine or newspaper – supply a copy; *or*
- ‘blogging’ … this means getting your article published on a website for open journalism … eg [www.citizenreporters.com](http://www.citizenreporters.com) (your article will be rated by readers) or [www.blogit.com](http://www.blogit.com) (readers pay to read your article) – supply print of website pages; *or*
- other websites, provided they belong to a registered body listed in the phone book (not chat rooms or personal sites) – supply a print of your article; *or*
- other published journalism of similar standing

You can work in a team of up to two people if you wish (both must appear in the item and submit a separate cover sheet)

**General instructions:**
Your assignment must provide evidence of your published journalism (eg press cutting or audio tape) and be neatly written or typed, using one side of the paper only. Keep a dated, witnessed photocopy of your assignment in case of misadventure. Late assignments will be subject to penalty, and plagiarism will receive strict disciplinary measures. Assignments submitted late may or may not be accepted, at the discretion of the lecturer-in-charge. After staff processing, all
marked assignments will be returned to students in Week 13 of semester (they can be collected at ERIC).

Submission:
Attach the Option A cover page from **page 12** to the front of your project.

ECON350  
SURNAME: ______________________________

PROJECT COVER SHEET: OPTION A (PUBLISHED JOURNALIST)  
(to be stapled to the front of your project)
DUE DATE: Thursday 18 May 2006 (8.00 pm)  
(To be deposited in ECON 350 Box in ERIC, E4A).

CHECKLIST:
1. Have you made a photocopy of your assignment?
2. Have you stapled all pages together? Do not submit essay in a manilla or plastic folder.
3. Have you attached this cover sheet?
4. Have you read the University statement against plagiarism (p.9)?
5. Have you attached your Learning Journal?

Name: ___________________________  Student No. ___________________  
(Surname)  (Initials)

Short Title: _______________________________________________________

<table>
<thead>
<tr>
<th>ASSESSMENT</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
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<tr>
<td>Presentation</td>
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<tr>
<td>Acknowledgements</td>
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<td>Economic understanding</td>
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<td>Learning journal</td>
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MARKS DEDUCTED
(Lateness; No Acknowledgments; Illegibility; Too short or too long; Poor grammar)  __________

FINAL MARK (out of 20)  __________
MARKER'S COMMENTS:

14b. PROJECT INSTRUCTIONS: OPTION B

Option B: Financial media reviewer

The task: (a) Critically evaluate how the media reported on Kim Hawtrey's research paper (see reference below). Hints: did the media report the research correctly? why was this topic considered newsworthy? is there any bias? strengths and weaknesses of various papers/journalists? what communication skills do you notice journalists exhibit? etc)

(b) Write your own original newspaper 'report' (not for actual publication) on the Hawtrey research paper

(c) Compile a journal reflecting on your learning experience on this assignment, using the Learning Journal on pages 15-16.

Required length: Part (a) 1000 words
Part (b) 500 words
Part (c) 300-500 words

Resources (all available via MU Library reserve):


(b) File: ‘Option B media clippings’

(c) The following reading material on the media may be useful:

‘Thirty tools for Writers’, an article on the Poynter website at http://www.poynter.org/content/content_view.asp?id=707


General instructions:
Your assignment should be no longer than 2000 words in length, neatly written or typed, using one side of the paper only, and properly annotated with supporting
footnotes and references. Standard academic presentation guidelines should be adhered to where appropriate. Keep a dated, witnessed photocopy of your assignment in case of misadventure. Late assignments will be subject to penalty, and plagiarism will receive strict disciplinary measures. Assignments submitted late may or may not be accepted, at the discretion of the lecturer-in-charge. After staff processing, all marked assignments will be returned to students in Week 13 of semester (they can be collected at ERIC).

Submission:
Attach the Option B cover page from page 14 to the front of your project.
ECON350
SURNAME: ..................................................

PROJECT COVER SHEET: OPTION B (REVIEWER)
(to be stapled to the front of your project)
DUE DATE: Thursday 18 May 2006 (8.00 pm)
(To be deposited in ECON 350 Box in ERIC, E4A).

CHECKLIST:
1. Have you made a photocopy of your assignment?
2. Have you stapled all pages together? Do not submit essay in a manilla or plastic folder.
3. Have you attached this cover sheet?
4. Have you read the University statement against plagiarism (p.9)?
5. Have you attached your Learning Journal?

Name: ______________________________  Student No. ___________________
(Surname)  (Initials)

Short Title:--------------------------------------------------------------------------------

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<td>Learning journal</td>
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MARKS DEDUCTED
(Lateness; No Acknowledgments; Illegibility;
Too short or too long; Poor grammar)  ________

FINAL MARK (out of 20)  ________

MARKER’S COMMENTS:

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15. **LEARNING JOURNAL**

*(include with your assignment)*

**Name:** .................................  

**I.D.:** .................................

A. **Record of learning activities**

From start to finish of this assignment, list the major activities undertaken (eg read references → planned my approach → engaged with media → worked in a team → reflected on my experience etc). Comment on how they helped teach new skills or enhance understanding of your own abilities:

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<tr>
<th>Activity</th>
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B. **Self-evaluation of learning**

Question one: Describe how your learning has progressed by doing this assignment (e.g. contrast your understanding and skills 'before' and 'after' - be specific)

Question two: What have you learned about the economic issues involved?

Question three: What have you learned about media skills and the media generally?
Question four: What insights have you gained into your own strengths and interests?

----------------------------------------------------------------------

Question five: Have you gained a fresh perspective on your future career? How?

----------------------------------------------------------------------

Question six: Compared with other assignments you have done at university, describe what you found helpful about this one.

----------------------------------------------------------------------

JOURNALISM SKILLS: CHECKLIST

Grammar / Format:

Spelling

Punctuation

Style

Structure

Compelling/ Worthiness:

Desirable

Meaningful

Importance

Interesting
Relevant

**Integrity Meter:**
Do you trust this article/reporter?

Hidden agenda?

Independent?

**Overall Quality:**

Accurate

Concise

Consistent

Comprehensive

Proportional