



School of Economics and Finance

MMAF501 NZ CAPITAL MARKETS (KIWICAP)

Trimester 1 2005

COURSE OUTLINE

Contact Details

The course controller is Dawn Lorimer. Room RH306. Preferred contact is by email. Email address: Dawn.Lorimer@vuw.ac.nz

Block Release Times

9:30am Tuesday, April 5 – 12:10pm Thursday, April 7, 2005
and 9:30am Wednesday, June 1 – 12.10pm Friday, June 3, 2005.

Attendance for all sessions of both block releases is compulsory.

Course Objectives

- An understanding from first principles of the identification and valuation of financial cashflows
- The capacity to develop simple spreadsheet models and employ these in financial problem solving
- A knowledge of the pricing of financial instruments and investment yields, and an understanding of the financial maths behind such calculations
- An understanding of the operations of New Zealand's deregulated financial system
- A general knowledge of the institutions and markets that constitute the financial system, and the roles which various institutions play
- An appreciation of what we ideally seek in a financial system

Course Content

Kiwicap is about the principal capital markets of New Zealand, their associated institutions, and their economic role. After a brief survey of principles of markets and financial intermediation and disintermediation, the course opens with a short historical account of events of the last decade or so, leading to financial liberalisation and the evolution of more sophisticated capital markets. The fixed interest markets are the next studied, treating bonds, CDs, notes, swaps and other traded instruments in some detail. The associated players are outlined, including fringe institutions. An account of the Banking system follows, covering payment and settlement mechanisms, prudential regulation, monetary regulation, with emphasis also on the role of the Reserve Bank. The role of the Futures and Options Exchange is considered, with a survey of its contracts, procedures, trading rules and environment. Equity markets are covered, including the NZSE and the new issue rules process, together with a consideration of equity derivatives. The FX markets are also treated in depth,

including derivatives such as cross currency interest swaps and their uses in hedging FX exposures. Throughout, emphasis is placed on an understanding of the economic role of these markets in achieving allocational efficiency, as well as themes relating to the internationalisation of NZ capital markets in recent years.

Readings

The two textbooks provided for the course are:

- (1) *Kiwicap: An Introduction to New Zealand Capital Markets*, 2nd ed., by Roger Bowden and Jennifer Zhu, 2005.
- (2) *Financial Maths for Managers*, 2nd NZ ed., by Dawn E Lorimer, 2005.

Materials and Equipment

It is necessary to bring a calculator to the block courses. A good financial calculator such as the HP10BII is strongly recommended. During tests students will be allowed to use calculators, but not hand held or other computers.

Assessment Requirements

The following schedule of assessment applies:

Exams:	One test at each block release session based on reading assigned for period leading up to the block release and material presented at the block release. Please bring your calculator.	60%
Participation:	For your efforts at the block release sessions and for tutorial questions.	2%
Assignments:	Two major assignments that count together for 38%. <u>The first assignment is due Monday, March 21, 2005.</u> <u>The second assignment is due Monday, May 23, 2005.</u>	38%
Total Assessment:		100%

Penalties

Each of the two major assignments will be marked out of a maximum that diminishes by 5% for every day late, with a weekend counting as one day. The date of submission shall be taken as the date of delivery or the day of postmark, if by post. There will be a final cut off date (normally one week after due date) advised for each assignment, after which no assignment can be accepted.

The major assignments will each carry a specified word limit. If an assignment exceeds the word limit, credit will be given only from the beginning of the assignment up to the word limit. No credit will be given for the portion of work extending beyond the word limit.

Mandatory Course Requirements

Students must attend all sessions of both block release courses. To pass, a student must obtain an average mark of at least 50% over total course assessment.

Communication of Additional Information

Additional information including assignment questions, details of the block course schedule, feedback on course assessments, etc will be provided by email or by post. Students are responsible for ensuring that the VIAF administrator, Bun Wong, has their up to date email and postal addresses.

General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly those regarding assessment and course of study requirements, and formal academic grievance procedures.

Student Conduct and Staff Conduct

The Statute on Student Conduct together with the Policy on Staff Conduct ensure that members of the University community are able to work, learn, study and participate in the academic and social aspects of the University's life in an atmosphere of safety and respect. The Statute on Student Conduct contains information on what conduct is prohibited and what steps can be taken if there is a complaint. For queries about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor. This Statute is available in the Faculty Student Administration Office or on the website at:

www.vuw.ac.nz/policy/StudentConduct.

The policy on Staff Conduct can be found on the VUW website at:

www.vuw.ac.nz/policy/StaffConduct.

Academic Grievances

If you have any academic problems with your course you should talk to the tutor or lecturer concerned or, if you are not satisfied with the result of that meeting, see the Head of School or the Associate Dean (Students) of your Faculty. Class representatives are available to assist you with this process. If, after trying the above channels, you are still unsatisfied, formal grievance procedures can be invoked. These are set out in the Academic Grievances Policy which is published on the VUW website:

www.vuw.ac.nz/policy/AcademicGrievances.

Academic Integrity and Plagiarism

Academic integrity is about honesty – put simply it means **no cheating**. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. Plagiarism is **prohibited** at Victoria.

The University defines plagiarism as follows:

Plagiarism is presenting someone else's work as if it were your own, whether you mean to or not.

'Someone else's work' means anything that is not your own idea, even if it is presented in your own style. It includes material from books, journals or any other printed source, the work of other students or staff, information from the Internet, software programmes and other electronic material, designs and ideas. It also includes the organization or structuring of any such material.

Plagiarism is not worth the risk.

Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct (www.vuw.ac.nz/policy/studentconduct) and may be penalized severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- suspension from class or university
- cancellation of your mark for an assessment or a fail grade for the course.

Find out more about plagiarism and how to avoid it, on the University's website at: www.vuw.ac.nz/home/studying/plagiarism.html.

Students with Disabilities

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities an equal opportunity with all other students to demonstrate their abilities. If you have a disability, impairment or chronic medical condition (temporary, permanent or recurring) that may impact on your ability to participate, learn and/or achieve in lectures and tutorials or in meeting the course requirements, then please contact the Course Coordinator as early in the course as possible. Alternatively you may wish to approach a Student Adviser from Disability Support Services to confidentially discuss your individual needs and the options and support that are available. Disability Support Services are located on Level 1, Robert Stout Building, or phoning 463-6070, email: disability@vuw.ac.nz. The name of your School's Disability Liaison Person can be obtained from the Administrative Assistant or the School Prospectus.

Student Support

Staff at Victoria want students' learning experiences at the University to be positive. If your academic progress is causing you concern, please contact the relevant Course Co-ordinator, or Associate Dean who will either help you directly or put you in contact with someone who can.

The Student Services Group is also available to provide a variety of support and services. Find out more at www.vuw.ac.nz/st_services/ or email student-services@vuw.ac.nz.

VUWSA employs two Education Coordinators who deal with academic problems and provide support, advice and advocacy services, as well as organising class representatives and faculty delegates. The Education Office is located on the ground floor, Student Union Building, phone 463 6983 or 463 6984, email education@vuwsa.org.nz.