

VICTORIA INTERNATIONAL APPLIED FINANCE PROGRAMME
School of Economics and Finance

MMAF 501 NZ Capital Markets (Kiwicap)

Trimester One 2008

COURSE OUTLINE

Contact Details

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

Block Release Times

Block 1 9:30am Tuesday, 15th April – 12:15pm Thursday, 17th April 2008
Block 2 9:30am Thursday, 5th June – 12:15pm Saturday, 7th June 2008.

A detailed schedule of each block release course will be supplied closer to the April and June sessions. **Attendance for all sessions of both block releases is compulsory.**

Course Objectives

- An understanding from first principles of the identification and valuation of financial cash flows
- 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 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.

Expected Workload

Total average workload of 200 hours. During the approximately 6 weeks of term prior to each block release, students will need to allow about 14 hours per week for study, research and preparation of assignments for this course. The two block courses each involve approximately 18 hours of work.

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*, NZ 2nd 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 HP17BII or HP10BII is strongly recommended. During tests students will be allowed to use calculators, but not hand held or other computers.

Assessment Requirements

To pass, a student must obtain an average mark of at least 50% over total course assessment. 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 (30% each). 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 (18%) is due Monday, March 31, 2008.</u> <u>The second assignment (20%) is due Monday, May 19, 2008.</u>	38%
Total Assessment:		100%

Penalties

Each of the 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, one week after the due date for each assignment, after which no assignment can be accepted. The 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.

Communication of Additional Information

Additional information including assignment questions, details of the block course schedule, feedback on course assessments, etc will be provided primarily via Blackboard (<http://blackboard.vuw.ac.nz/>) and possibly also by email and post. Students are responsible for ensuring that the VIAF administrator, (email: viaf-programme@vuw.ac.nz), has their up to date email and postal addresses, as well as ensuring your details are correct on Student Records.

If you have, or become aware of, any health condition that could prevent you attending a VIAF compulsory block release, then you should notify the Programme director immediately, preferably by email, dawn.lorimer@vuw.ac.nz.

Faculty of Commerce and Administration Offices

Railway West Wing (RWW) - FCA Student and Academic Services Office

The Faculty's Student and Academic Services Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications. To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

Easterfield (EA) - FCA/Education/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce and Administration, Education and Law is situated in the Easterfield Building on the ground floor (EA005). This counter is the first point of contact for:

- Duty tutors for student contact and advice.
- Information concerning administrative and academic matters.
- Forms for FCA Student and Academic Services (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

Notice of Turnitin Use

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <<http://www.turnitin.com>>. Turnitin is an on-line plagiarism prevention tool which identifies material that may have been copied from other sources including the Internet, books, journals, periodicals or the work of other students. Turnitin is used to assist academic staff in detecting misreferencing, misquotation, and the inclusion of unattributed material, which may be forms of cheating or plagiarism. *At the discretion of the School, handwritten work may be copy typed by the School and subject to checking by Turnitin.* You are strongly advised to check with your tutor or the course coordinator if you are uncertain about how to use and cite material from other sources. Turnitin will retain a copy of submitted materials on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly the Assessment Statute, the Personal Courses of Study Statute, the Statute on Student Conduct and any statutes relating to the particular qualifications being studied; see the Victoria University Calendar or go to www.victoria.ac.nz/home/about/policy/students.aspx

For information on the following topics, go to the Faculty's website www.victoria.ac.nz/fca under Important Information for Students:

- Academic Grievances
- Student and Staff Conduct
- Meeting the Needs of Students with Impairments
- Student Support

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. The University defines plagiarism as follows:

The presentation of the work of another person or other persons as if it were one's own, whether intended or not. This includes published or unpublished work, material on the Internet and the work of other students or staff.

It is still plagiarism even if you re-structure the material or present it in your own style or words.

Note: It is however, perfectly acceptable to include the work of others as long as that is acknowledged by appropriate referencing.

Plagiarism is prohibited at Victoria and is not worth the risk. Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct and may be penalized severely. Consequences of being found guilty of plagiarism can include:

an oral or written warning

cancellation of your mark for an assessment or a fail grade for the course

suspension from the course or the University.

Find out more about plagiarism, and how to avoid it, on the University's website:

www.victoria.ac.nz/home/studying/plagiarism.html

Manaaki Pihipihinga Programme

Manaaki Pihipihinga is an academic mentoring programme for undergraduate Māori and Pacific students in the Faculties of Commerce and Administration, and Humanities and Social Sciences. Sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade (back courtyard), Room 109D, and Room 210, Level 2, Railway West Wing. There is also a Pacific Support Coordinator who assists Pacific students by linking them to the services and support they need while studying at Victoria. Another feature of the programme is a support network for Postgraduate students with links to Postgraduate workshops and activities around Campus.

For further information, or to register with the programme, email manaaki-pihipihinga-programme@vuw.ac.nz or phone (04) 463 6015. To contact the Pacific Support Coordinator, email pacific-support-coord@vuw.ac.nz or phone (04) 463 5842.