

School of Economics and Finance

FINA 305 Investments

Trimester 1 2011

COURSE OUTLINE

Names and Contact Details

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Trimester Dates

Teaching Period: Monday 28 February – Friday 3rd June

Study Period: Monday 6 June – Thursday 9 June

Examination Period: Friday 10 June – Saturday 2 July (inclusive)

Class times and Room numbers

Lectures: Mon, Thurs 11:30 – 12:20 Rutherford House [Pipitea] LT2

Tutorials: Will be arranged using the S-cubed system.

Withdrawal from the course

Your fees will be refunded if you withdraw from this course on or before 11 March 2011.

The standard last date for withdrawal from this course is 14 May 2011. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on the form 'Application for Associate Dean's permission to Withdraw Late', and include supporting documentation. This form is available from the Faculty's Student Customer Service Desks.

Course content

The following is the timetable for the course, with suggested readings for each section. The readings are fairly extensive, but hopefully should give you plenty of alternative explanations of the material covered in lectures.

Date	Topic	Readings (BKM)
28 Feb, 3 Mar	Introduction and Securities markets	Chapters 1-2
7 Mar, 10 Mar	Trading	Chapter 3
10 Mar, 14 Mar	Modern Portfolio Theory	Chapter 7
17 Mar, 21 Mar	The single index model	Chapter 8
24 Mar	Active portfolio management	Chapter 27
28 Mar	International investment	Chapter 25
31 Mar, 4 Apr	Capital Asset Pricing Model	Chapter 9
7 Apr, 11 Apr	Arbitrage Pricing Theory	Chapter 10
14 Apr	Empirical Evidence	Chapter 13
18 Apr-1 May	MID-TRIMESTER BREAK	
2 May	Behavioural finance	Chapters 11-12
5 May	Mutual Funds and Hedge Funds	Chapter 4 and Chapter 26
9 May	Performance evaluation	Chapter 24
12 May	Interest rate risk management	Chapter 16
16 May	Forward and futures pricing	Chapter 22
19 May	Swap pricing	Chapter 23
23 May, 26 May	Option pricing	Chapter 21
30 May	Investment horizon	Chapter 28
2 June	Review	

These topics represent an optimistic view of material that will be covered in the course, time permitting. If necessary, some topics may be dropped, if we find ourselves behind.

Course Learning Objectives

By the end of the course, students should be able to:

- C1 use mean-variance portfolio theory to analyse real-world investment problems
- C2 describe and explain the assumptions and reasoning behind the capital asset pricing model, and critically analyse extensions of the model
- C3 explain the assumptions and reasoning behind the arbitrage pricing theory, show how the model can be applied, and critically analyse the empirical debates surrounding the validity of the APT and CAPM
- C4 demonstrate an understanding of portfolio management and pricing in a modern financial market
- C5 describe the different types of mutual funds available in financial markets, and critically analyse their strengths and weaknesses; show how to evaluate the performance of a fund manager
- C6 perform security analysis, asset allocation and the pricing of equities, bonds and derivatives
- C7 analyse valuations of forward contracts and futures contracts, and explain their use for hedging purposes
- C8 apply the binomial model and Black-Scholes model to value European and American options, and implement and explain the basic principles of delta-hedging

Topics C1-C4 will be assessed on the midterm exam, while *all* material will be covered on the final exam.

Although these outlines represent the main objectives of the course, all material covered in lectures is subject to assessment in the course test and exam.

Course delivery

Students will attend lectures and tutorials. Tutorial problems are broken into two sets. The first set are to be completed and submitted at the beginning of the tutorial. The second set of problems are to be attempted during the tutorial, with help from the tutor.

Expected workload

Expected workload for this course is 100 hours. This is composed of 24 hours of lectures, 3 hours of exams, 8 hours of tutorials, and 65 hours of work on tutorial problems and study for the exams.

Readings

The course is based on the following textbook:

- Bodie, Kane and Marcus, "Investments", McGraw-Hill Irwin, 9th Edition [BKM].

Materials and Equipment

Non-programmable calculators are required for the midterm and final exams.

Assessment Requirements

Your course mark will be a weighted average, made up as follows:

Tutorial problems:	10%	Ongoing.
Midterm exam (50 minutes):	30%	TBA.
Final exam (2 hours):	60%	date will be scheduled during the university exam time.

Each tutorial will have a set of problems to be completed prior to tutorial attendance. These will be collected during the tutorials, and marks assigned as 0, 0.5 or 1.0. The score for tutorial grade will be a weighted average of the eight tutorial scores. The examination material will closely follow material covered in tutorials (which in turn will follow material covered in lectures) so if you put in the work here, you will not only score points toward your final grade, but will also improve your final exam score.

Note: Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

Examinations

Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period. The final examination for this course will be scheduled at some time during the period from Friday 10 June Saturday 2 July 2011.

Penalties

Tutorial problems are due at the start of the tutorial. Tutorial problems handed in late will not be marked.

Mandatory course requirements

You must score 0.5 or 1.0 in at least four of the eight tutorial problems.

Communication of additional information

Information on the course, including assignments and lecture notes, will be distributed via blackboard, which can be found at <http://blackboard.vuw.ac.nz/>.

Class representative

A class representative will be elected in the first class, and that persons name and contact details made available to VUWSA, the Course Coordinator and the class. The class representative provides a communication channel to liaise with the Course Coordinator on behalf of students.

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 Head of 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.

SUPPLEMENTARY INFORMATION

For the following important information follow the links provided:

Academic Integrity and Plagiarism <http://www.victoria.ac.nz/home/study/plagiarism.aspx>

General University Policies and Statutes Find key dates, explanations of grades and other useful information at

www.victoria.ac.nz/home/study.

Find out about academic progress and restricted enrolment at

www.victoria.ac.nz/home/study/academic-progress.

The Universitys statutes and policies are available at

www.victoria.ac.nz/home/about/policy, except qualification statutes, which are available via the Calendar webpage at www.victoria.ac.nz/home/study/calendar (See Section C).

Further information about the Universitys academic processes can be found on the website of the Assistant Vice-Chancellor (Academic) at

www.victoria.ac.nz/home/about_victoria/avcacademic/default.aspx

AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support

http://www.victoria.ac.nz/home/about_victoria/avcacademic/Publications.aspx

Faculty of Commerce and Administration Offices

<http://www.victoria.ac.nz/fca/studenthelp/>

Manaaki Pihipihinga Programme

http://www.victoria.ac.nz/st_services/mentoring/