

School of Economics and Finance

FINA 202 INTRODUCTION TO INVESTMENTS

Trimester Two 2011

COURSE OUTLINE

Names and Contact Details

Course Coordinator and lecturer: Professor Jennifer Foo RH326 extn: 5763
Email jennifer.foo@vuw.ac.nz
Students are free to contact her at any time.

Administrator: Suzanne Freear RH321 extn: 5380
Suzanne.freear@vuw.ac.nz

Trimester Dates

Teaching Period: Monday 11 July – Friday 14 October

Study Period: Monday 17 October – Thursday 20 October

Examination Period: Friday 21 October – Saturday 12 November (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before 22 July 2011.
2. The standard last date for withdrawal from this course is 19 August 2011. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an *'Application for Associate Dean's Permission to Withdraw Late'* including supporting documentation

The application form is available from either of the Faculty's Student Customer Service Desks.

Class Times and Room Numbers

Lectures Tuesday and Friday 10:30-11:20am RHLT1.

Tutorials will be by S-CUBED signup system. Notification dates will be on Blackboard.

Course Learning Objectives

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

- C1 Describe financial market microstructure and explain why relevant institutions exist
- C2 Describe the nature of real and financial assets, and explain asset portfolio choice
- C3 Demonstrate an understanding of the theories explaining the term structure of interest rates

- C4 Analyse the role of utility functions and preferences for risk in the determination of investments decisions
- C5 Explain the logic of portfolio theory and the trade-off between risk and return
- C6 Describe asset pricing models in the context of undiversified and fully diversified portfolios
- C7 Explain the implications of the efficient markets hypothesis for first and investors
- C8 Analyse the reasoning behind technical analysis and behavioural finance, and explain how they challenge theories of finance.

Course Delivery

Two 50 minute lectures per week for 12 weeks, plus a 50 minute tutorial in eight of the weeks.. Tutorial assignments will be distributed in the preceding week's lecture class and should be completed in preparation for the tutorial class. Tutorial attendance is desirable but not compulsory. Students should choose and sign up for a tutorial through S-Cubed at <http://signups.victoria.ac.nz>

Expected Workload

The anticipated workload will be: Tutorial preparation 25 hrs, background reading 50 hrs, reviewing for exam 20 hrs, in terms test 15 hrs.

Readings

The prescribed text is S Ross, R Westerfield and J. Jaffe. "*Corporate Finance*", 9th edition, McGraw-Hill Irwin, 2010 (RWJ). The readings for each week are indicated in the attached Course content schedule.

The examinable material constitutes the lecture material and tutorial assignments. The prescribed reading is intended to assist in the comprehension of this. Accordingly it should be read prior to the relevant lectures, and possibly also afterwards as a follow-up.

Assessment Requirements

Assessment for the course will be determined in the following way. The following rule is initially applied:

In-terms test: 6th September 2011 (Tuesday); materials July 12 – Aug 19 = 30%

(In-terms test will be held 10:30 – 11:20am (Room RHLT1)

Final exam (in the period October 25 – November 12, 2011); materials July 12 – Oct 14 = 70%.

If this assessment rule yields a fail, and shifting the weight on the first test to the final examination yields a pass, then the student will be granted 50%. For example: if the student's results are 30% and 70% for the first test and final exam respectively, then application for the initial rule yields an overall result of 54%. This is a pass and therefore is not altered. By contract, if the student's results are 20% and 55%, application of the initial rule yields an overall result of 43%, which is a fail, shifting all of the weight to the final examination yields an overall result of 50%, which is a pass, and therefore the student would be given 50%.

The in-terms test will cover the material presented in lectures in the first six weeks (and the associated tutorial assignments). The final examination will cover the entire course with about 40% based on the first six weeks material and the remaining 60% on the last six weeks material.

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 Tuesday 25 October – Saturday 12 November 2011.

Penalties

Not applicable.

Materials and Equipment

It is necessary to bring a calculator to the class. During tests students will be allowed to use calculators, but not hand held computers or cell phones.

Mandatory Course Requirements

To pass, a student must attend all classes. Note that students must attain an overall mark of 50% in order to achieve a passing grade.

Class Representative

A class representative will be elected in the first class, and that person's 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.

Communication of Additional Information

Additional information will be conveyed by Blackboard.

Additional Courses

Students anticipating undertaking 400 level Finance or who anticipate working in the finance industry are strongly advised to undertake more mathematics/statistics than that prescribed as a prerequisite for FINA 201 and FINA 202. Relevant statistics courses are QUAN 201, 202, 301, 303 and STAT 232m 233, 331, 333, 338. The relevant mathematics courses are QUAN 203, MATH 243 and MATH 301.

In addition students who anticipate working in the finance industry are strongly advised to undertake courses in financial accounting, since annual Reports are significant sources of information in valuing companies. The relevant courses are ACCY 231, 306, 308.

Students anticipating 400 level study need to ensure that they have the appropriate undergraduate prerequisites to permit a full 6 course programme at 400 level. Such students are strongly encouraged to discuss with a member of the School of Economics and Finance (SEF) before they finalise their courses of their first undergraduate year.

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 <http://www.victoria.ac.nz/home/study/academic-progress.aspx>

The University's statutes and policies are available at www.victoria.ac.nz/home/about/policy, except qualification statutes, which are available via the Calendar webpage at <http://www.victoria.ac.nz/home/study/calendar.aspx> (See Section C).

Further information about the University's 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
http://www.victoria.ac.nz/home/about_victoria/avcacademic/Publications.aspx

Faculty of Commerce and Administration Offices

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

Te Pūtahi Atawhai

Maori and Pacific Mentoring Programme

http://www.victoria.ac.nz/st_services/tpa/index.aspx

Course Content

<u>Week beginning</u>	<u>Subject/Background Reading</u>
July 12, July 15	Ethics, Financial Markets (RJW Ch 1.4, 1.5, 1.6 and see posted Blackboard Readings)
July 19, July 22	Utility Frontiers and Term Structure of Interest (RJW 8.5 and see posted Blackboard Readings)
July 26, July 29	Portfolio Analysis - RWJ Ch.10, Ch 11.1 – 11.7
Aug 2, Aug 5	<u>Cont:</u> Portfolio Analysis - RWJ Ch.10, Ch 11.1 – 11.7
Aug 9, Aug 12	Capital Asset Pricing Model - RWJ Ch 11.8 – 11.9
Aug 16, Aug 19	Interest Rates and the Valuation of Bonds – RWJ Ch 8
Aug 22, Sept 4	STUDY BREAK
Sept 6	IN TERMS TEST (10:30-11:20am in RHLT1) - covering the first six weeks material.
Sept 9	Valuation of Equities - RWJ Ch 4, Ch 9
Sept 13, Sept 16	Valuation of Equities - RWJ Ch 4, Ch 9
Sept 20, Sept 23	Use and Valuation of Derivatives – RWJ Ch 22.1 – 22.8; Ch 25.1 – 25.4; Ch 25.7
Sept 27, Sept 30	<u>Cont:</u> Use and Valuation of Derivatives – RWJ Ch 22.1 – 22.8; Ch 25.1 – 25.4; Ch 25.7
Oct 4, Oct 7	Efficient Markets Hypothesis – RWJ Ch 14
Oct 11, Oct 14	International Finance - RWJ Ch 31.1 – 31.4