

Victoria International Applied Finance Programme
School of Economics and Finance

MMAF501 NZ CAPITAL MARKETS (KIWICAP)

Trimester 1, 2013

COURSE OUTLINE

Names and Contact Details

The course coordinator is Dawn Lorimer, RH306. Preferred contact is by email. Email address: dawn.lorimer@vuw.ac.nz. Office hours: Tuesday – Thursday, 2pm – 4pm, or by appointment.

The administrator for this course is Rachel Zhang, RH307. She can be contacted on (04) 463 6148 or viaf-programme@vuw.ac.nz.

Trimester Dates

Study/Teaching Period: Monday 4 March – Wednesday 19th June 2013

Block Release Times

9:30am Tuesday, 23rd April – 12:30pm Thursday, 25th April 2013.
And 9:30am Monday, 17th June – 12:30pm Wednesday, 19th June 2013.

A detailed schedule of each block release course will be supplied closer to the April and June sessions. Classes will take place at the Kelburn Campus – please see the schedule for details.

Attendance at all sessions of both block releases is compulsory.

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 15 March 2013.
2. The standard last date for withdrawal from this course is Friday 17 May. 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.

Course Delivery

The contact hours of the course will be during the two block releases detailed above. During the rest of the trimester, students will be expected to be engaged in self directed study using their textbooks and material posted on Blackboard, and completing assignments which will be posted on Blackboard.

Group Work

There will be some group work based on discussion questions at the block releases. Whilst this is not formally assessed, participation in this will be factor in determining the marks awarded for participation as detailed below.

Expected Workload

Total average expected 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.

Course Learning Objectives

On completing this course students should be able to:

- Apply first principles to construct and evaluate financial cash flows
- Develop simple spreadsheet models and employ these in financial problem solving
- Demonstrate the pricing of financial instruments and investment yields, correctly applying the financial maths behind such calculations
- Explain the operations of New Zealand's deregulated financial system
- Describe the instruments, institutions and markets that constitute the financial system, and the roles which various institutions play
- Explain what we ideally seek in a financial system

These learning objectives will be assessed via two major assignments, two tests and performance at the two block release modules.

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 NZX 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.

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 3rd ed., by Dawn E Lorimer, 2010.

Materials and Equipment

It is necessary to bring a calculator to the block courses. A good financial calculator such as the HP17BII HP12C or HP10BII is strongly recommended. During tests students will be allowed to use calculators, but not hand held or other computers.

Assessment

The following schedule of assessment applies:

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|--------------------------|---|-------------|
| Tests: | 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 Tuesday 3rd April, 2013.</u> <u>The second assignment (20%) is due Tuesday 4th June, 2013.</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. The date of submission shall be taken as the date of delivery. Please carefully read the assignment guidelines for details of how assignments should be submitted. 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.

Use of Turnitin

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 compares submitted work with a very large database of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and submitted to Turnitin. A copy of submitted materials will be retained 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.

Mandatory Course Requirements

In addition to obtaining an overall course mark of 50 or better, students must attend all sessions of both block release courses.

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.

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 including assignment questions, details of the block course schedule, feedback on course assessments, etc will be provided via Blackboard, email or by 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.

Link to general information

For general information about course-related matters, go to

<http://www.victoria.ac.nz/vbs/studenthelp/general-course-information>

Note to Students

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 academic audit. The findings may be used to inform changes aimed at improving the quality of VBS programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.
