

School of Economics and Finance

## **FINA202: INTRODUCTION TO INVESTMENTS**

Trimester 2, 2014

### **COURSE OUTLINE**

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#### **Names and Contact Details**

The Course Coordinator and lecturer for the course is Brandon C. Chen, RH316, Phone 463 5131, [Brandon.Chen@vuw.ac.nz](mailto:Brandon.Chen@vuw.ac.nz). The office hour is Tuesdays 14.40-15.30, or by appointment.

Any administrative matters should be brought to attention of TBA, RH321, Phone 463 6386, or email TBA

#### **Trimester Dates**

Teaching Period: Monday 14<sup>th</sup> July – Friday 17<sup>th</sup> October

Study Period: Monday 20<sup>th</sup> October – Thursday 23<sup>rd</sup> October

Examination Period: Friday 24<sup>th</sup> October – Saturday 15<sup>th</sup> November (inclusive)

#### **Withdrawal from Course**

1. Your fees will be refunded if you withdraw from this course on or before Friday 25<sup>th</sup> July 2014.
2. The standard last date for withdrawal from this course is Friday 26<sup>th</sup> September. 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**

<b>Type</b>	<b>Day</b>	<b>Time</b>	<b>Room</b>
<b>Lecture</b>	<b>Monday</b>	<b>8:30 - 9:20</b>	<b>RHLT1</b>
<b>Lecture</b>	<b>Thursday</b>	<b>8:30 - 9:20</b>	<b>RHLT1</b>
<b>Tutorial</b>	<b>Monday</b>	<b>10:30</b>	<b>RWW222</b>
<b>Tutorial</b>	<b>Monday</b>	<b>11:30</b>	<b>RWW414</b>
<b>Tutorial</b>	<b>Tuesday</b>	<b>12:40</b>	<b>RWW414</b>
<b>Tutorial</b>	<b>Tuesday</b>	<b>13:40</b>	<b>RWW414</b>
<b>Tutorial</b>	<b>Thursday</b>	<b>12:40</b>	<b>RWW414</b>
<b>Tutorial</b>	<b>Thursday</b>	<b>13:40</b>	<b>RWW314</b>
<b>Tutorial</b>	<b>Friday</b>	<b>12:40</b>	<b>RWW312</b>
<b>Tutorial</b>	<b>Friday</b>	<b>14:40</b>	<b>RWW223</b>

### **Course Delivery**

The delivery of the course will involve lectures (12 weeks) and tutorials during 8 of the 12 weeks in the course, starting in Week 3 (see Course Content for details). Tutorial materials will be distributed online in the previous week and should be completed before attending the tutorial class. Students are strongly recommended to attend tutorials, as comprehension of tutorial materials is necessary for the preparation of the in-term test and final exam.

### **Group Work**

Students are expected to form a group of 5 to work on the valuation of a certain publicly traded company, and the potential ethical issues a research analyst could face. This group assignment accounts for 15% of each student's total mark. Total number of pages should be limited to 8, including references. More information will be released in Week 4 of the course.

### **Expected Workload**

The anticipated workload is about 11 hours per week, comprising 2 hours for lectures, 1 hour for a tutorial, 3 hours to prepare the tutorial assignments, and 5 hours for group work and reading.

### **Prescription**

An introduction to the institutions, markets and instruments of the NZ financial system, as well as the theory and practice of asset valuation and portfolio selection.

### **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 investment 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 the classical theories of finance.

## Course Content

<b>Week Beginning</b>	<b>Week</b>	<b>Subject</b>	<b>Textbook chapter</b>	<b>Tutorial</b>
14 July	1	Financial Markets, Utility Theory	slides	--
21 July	2	Portfolio Analysis	10, 11	Yes
28 July	3	Portfolio Analysis	10, 11	Yes
4 August	4	Capital Asset Pricing Model	11	Yes
11 August	5	Valuation of Equities	4	Yes
18 August	6	Valuation of Equities, <b>In-term Test</b>	9	--
8 September	7	Public Offering	20	--
15 September	8	Valuation of Bonds	8	--
22 September	9	Valuation of Derivatives	22, 25	Yes
29 September	10	Valuation of Derivatives	22, 25	Yes
6 October	11	Efficient Market Hypothesis	14	Yes
13 October	12	Investment and Ethics, Course Review	slides	Yes

## Readings

The prescribed text is S. Ross, R. Westerfield and J. Jaffee, *Corporate Finance*, 10th edition, McGraw-Hill Irwin, 2013 (RWJ). The readings for each week are indicated in the Course Content section.

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.

## Materials and Equipment

Students are permitted to use any electronic calculators in the in-term test, but not those built-in on your mobile phones or tablet computers. The policy concerning the use of calculators in the final exam should be in line with the overall school's guidelines.

## Assessment

From Trimester 1, 2014, a revised Assessment Handbook will apply to all VUW courses: see <http://www.victoria.ac.nz/documents/policy/staff-policy/assessment-handbook.pdf>.

In particular, there will be a new grade scheme, in which the A+ range will be 90-100% and 50-54% will be a C-.

Your mark will be determined in the following way:

### Scheme A:

In-term Test	25%	Thursday 21 August 2014
Group work	15%	Due on Friday 3 October 2014
Final Exam	60%	The date will be scheduled during the University exam period

### Scheme B:

In-term Test	0%	Thursday 21 August 2014
Group work	15%	Due on Friday 3 October 2014
Final Exam	85%	The date will be scheduled during the University exam period

Each student's mark will be calculated based upon the above two schemes and the better one of the two will be chosen as his/her final mark. In other words, his/her final mark = Max (Scheme A, Scheme B).

The 35-min in-term test (in accordance with Objectives C1, C2, C4, and C5) will cover the material presented in the first 6 weeks. The two-hour final exam (in accordance with Objectives C1-C8) will cover the entire course (20% comes from the material covered in the first 6 weeks). The group assignment (in accordance with Objectives C4 and C6) should be submitted in hard copy. Page limit of the group assignment is 8.

### **Penalties**

Late submission of the group assignment will result in a 5% discount of the group assignment mark per day (applies to each of the group members).

### **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.

### **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 following period:

Friday 24<sup>th</sup> October – Saturday 15<sup>th</sup> November (inclusive)

### **Mandatory Course Requirements**

None.

If you cannot complete an assignment or sit a test or examination, refer to [www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat](http://www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat)

### **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 or information on changes will be conveyed to students via Blackboard.

### **Student feedback**

Student feedback on University courses may be found at [www.cad.vuw.ac.nz/feedback/feedback\\_display.php](http://www.cad.vuw.ac.nz/feedback/feedback_display.php)

### **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.

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