FINANCE 323 INVESTMENTS 2

6 CREDIT POINTS

Coordinator:
Dr. Scott Dobbs
Room No: 40.312
Phone: (02) 42214417
Fax: (02) 42214297
Email: sedobbs@uow.edu.au

Consultation
Monday: 4:30 - 5:30 pm
Tuesday: 11:30 am - 1:30 pm
Wednesday: 10:30 - 11:30 am

FIN 323 is an advanced investment course utilising derivatives in addition to basic portfolio management tools for enhanced leverage, speculation, and hedging strategies in the investment arena. Students should understand various derivative valuation models and be thoroughly familiar with advanced approaches to portfolio management upon successful completion of this subject. This is a core course. Finance majors must clearly pass.
SECTION A: GENERAL INFORMATION

LECTURE TIMES

Lectures will be held on

Monday 15:30 to 16:30 Location: 20.1
Wednesday 15:30 to 16:30 Location: 20.1

LECTURE PROGRAM

<table>
<thead>
<tr>
<th>Date</th>
<th>Topics Covered</th>
<th>Readings- Hull Text</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>21/23 February 2005 Housekeeping, Introduction to subject, and mechanics of Futures markets</td>
<td>Chapters 1 and 2, Frino 1</td>
</tr>
<tr>
<td>2</td>
<td>28 February/2 March HEDGING WITH FUTURES CONTRACTS</td>
<td>Chapter 3</td>
</tr>
<tr>
<td>3</td>
<td>7/9 March INTEREST RATES, COMPOUNDING, FORWARD AND FUTURE CONTRACTS</td>
<td>Chapters 4, 5</td>
</tr>
<tr>
<td>4</td>
<td>14/16 March INTEREST RATE FUTURES, SWAPS</td>
<td>Chapters 6, 7 Frino 3</td>
</tr>
<tr>
<td>5</td>
<td>21/23 March OPTIONS MARKETS, STOCK OPTIONS</td>
<td>Chapters 8, 9</td>
</tr>
<tr>
<td>A B</td>
<td>25 March-3 April MIDSESSION RECESS – STUDY HARD</td>
<td>Review! – Test on 9 April (Saturday) Venue TBA</td>
</tr>
</tbody>
</table>
# TUTORIAL TIMES

Tutorials are administered through the Tutorial Preference System (TPS) online. Students who are not enrolled in a tutorial should enrol as soon as possible. Tutorials may not be changed into a class which is already full, and pleading that the tutorial time is not convenient is not a sufficient reason for exception to this rule.

## Tutorial Work

<table>
<thead>
<tr>
<th></th>
<th>Weekly tutorial work (A=assignment)</th>
<th>questions/problems</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>No tutorials this week 😊</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Markets and mechanics</td>
<td>1:13,15,16,20, 2:11,12,13,19</td>
</tr>
<tr>
<td>3</td>
<td>Hedging</td>
<td>3:8,10,13,16,18,20</td>
</tr>
<tr>
<td>4</td>
<td>Interest Rates, etc.</td>
<td>4:8,9,10,12,13,14  5:10,14,23</td>
</tr>
<tr>
<td>5</td>
<td>IR Futures, swaps</td>
<td>6:10,11,13,14 Frino 3:13,15</td>
</tr>
<tr>
<td>6</td>
<td>Markets, and stock options</td>
<td>8:12,17 9:9,11,12,14,15</td>
</tr>
<tr>
<td>7</td>
<td>Strategies</td>
<td>10:10,12,14,15,21</td>
</tr>
<tr>
<td>8</td>
<td>Binomials and B/Scholes</td>
<td>11:12,13 12:8,11,13,14</td>
</tr>
<tr>
<td>9</td>
<td>Index, Currency, and futures options</td>
<td>13:9,10 14:10,11,14 F2:17 4:7,10</td>
</tr>
<tr>
<td>10</td>
<td>Greeks and Binomials</td>
<td>15:15 16:11,13</td>
</tr>
</tbody>
</table>
BRIEF OUTLINE
This subject builds upon the skills from Investments 1. Students must have passed Investments 1 in order to properly enrol in this subject. Advanced analysis using continuously compounded models and derivatives are incorporated into portfolio management techniques. Students are strongly encouraged to focus clearly upon the subject material presented throughout this course. It is highly unlikely that any student who does not work hard will pass this subject.

STUDENT LEARNING OUTCOMES
On successful completion of this subject, the student should be able to:
1. Analyse a variety of investment scenarios using the models in the textbook to give clear answers to questions arising in portfolio management and strategic development.
2. Use a variety of financial instruments, including an array of derivatives to hedge, speculate, and take advantage of market arbitrage situations.
3. Construct investment strategies using a variety of assets and derivative instruments

ATTENDANCE REQUIREMENTS
Students are required to attend all lectures and tutorials in this class. If any student misses 4 tutorials or more, a “fail” grade will be recorded for that student in the absence of acceptable medical documentation or a waiver from the subject coordinator.

PARTICIPATION/CONTRIBUTION TO TUTORIALS/SEMINARS
Although no class participation is currently contemplated for this subject, students should be aware that there is a strong positive correlation between the students who fail this subject, and the students who come to tutorials unprepared or under-prepared. As information is given in tutorials and lectures which is examinable, students who are inattentive or who do not sufficiently prepare each week will normally be disappointed in their assessment marks on the major assessment examinations.

PERFORMANCE LEVEL
To be eligible to pass this subject, students must achieve an overall mark of at least 50%, and at least 45% on the final examination. If any student achieves less than one third of marks in any
assessment task, a “fail” grade will be recorded for that student. This requirement of minimum performance will be rigidly enforced. Students should be clearly aware that as this is a 300 level subject, a clear “pass” is required in order for this subject to count toward the finance major. This means that students must clearly pass (no PC’s are allowed) if they are finance majors.

REQUIRED TEXT(S)
Frino, A. and Jarnecic, E. Introduction to Futures and Options Markets in Australia Pearson Education Australia [Relevant to Dubai??]
These textbooks are available from the University Bookshop, and perhaps individually from the Coop Bookshop in Sydney. They were ordered as a wrapped set for this class and are in stock at the Bookshop on campus. You may pay more for the two books if you purchase them individually. Note: no photocopied texts will be allowed in the tutorials

RECOMMENDED BACKGROUND AND FURTHER READING

This is not an exhaustive list of references. Students should also use the library catalogue and databases to locate additional resources. There are many investment textbooks available to students.

ADDITIONAL MATERIALS
Additional materials are currently under review and, either texts or journals, will be placed in the Resource Room for students throughout the term.

SECTION B: ASSESSMENT

WRITTEN ASSESSMENT

<table>
<thead>
<tr>
<th>Assessment 1:</th>
<th>Title: First Examination</th>
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</thead>
<tbody>
<tr>
<td>Topic</td>
<td>All topics in chapters Hull 1-7 and Frino 1-3, are examinable</td>
</tr>
<tr>
<td>Marking criteria</td>
<td>Combination of problems, M/C, and short answers</td>
</tr>
</tbody>
</table>
Length: 2 hour examination

Weighting: 25%

Date 9 April, 2005 (Saturday) at 9:30 am start venue TBA

Students should be aware of strict examination procedures

Assessment 2: Title Second Examination

Topic Topics in chapters Hull 8 -16 and Frino 4 will be examined

This examination will build upon the first examination material

Problem type Combination of problems, M/C, and short answers

Length: 2 hours

Weighting: 25%

Date 7 May, 2005 (Saturday) 9:30 am start

Students should be aware of strict examination procedures

FINAL EXAMINATION

Final Examination

Weighting 50%

Date The date for the final examination will normally be confirmed during the course of the subject and published on SOLS 3 to 4 weeks before the examination period.

Time allowed 3 Hours 15 Minutes

Structure of paper Combination of M/C, problems, and short answers

A formula sheet with basic formulae will be included

Scaling

Marks may be scaled at the subject coordinator’s discretion. Scaling is not automatic. Students’ work is normally reviewed in committee prior to any scaling of any marks.
SUBMISSION, RETENTION AND COLLECTION OF WRITTEN ASSESSMENT

As this class has no hand-in major assessment task, there is no need for students to hand in any other written work. If any student does not attend any examination for this class, a “fail” grade will automatically be recorded in the absence of acceptable medical documentation. If any student anticipates a problem, clear communication with the subject coordinator or tutor should be initiated IMMEDIATELY as soon as the problem becomes known to the student and, preferably ahead of the assessment date. Students will find the subject coordinator quite resistant to a request for flexibility where a problem is communicated after the time an examination was given.

PLAGIARISM

Plagiarism means using the ideas of someone else without giving them proper credit. For example, that someone else may be an author, critic, journalist, artist, composer, lecturer, tutor or another student. Unintentional plagiarism can result if you don’t understand and use the acceptable scholarly methods of acknowledgement. Whether plagiarism is deliberate or unintentional, the University may impose penalties, which can be very severe. When it is desirable, or necessary, to use other people’s material, take care to include appropriate references and attribution. **Plagiarism will not be tolerated and has led to expulsion from the University.** Since there is no written assessment tasks in this class, students can feel free to learn from each other at any time other than during an examination 😊.

Students should visit the following University website and become familiar with the University’s policy on Plagiarism.


SECTION C: RULES, CODES OF PRACTICE & POLICIES

C1 UNIVERSITY POLICIES

Information on the following University Policies can be found at the websites below:

<table>
<thead>
<tr>
<th>Policy</th>
<th>URL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical objection by students to the use of animal and animal products in coursework subjects</td>
<td><a href="http://www.uow.edu.au/about/policy/ethicalobjectionanimals.html">http://www.uow.edu.au/about/policy/ethicalobjectionanimals.html</a></td>
</tr>
<tr>
<td>Non Discriminatory Language</td>
<td><a href="http://staff.uow.edu.au/eeo/nondiscrimlanguage.html">http://staff.uow.edu.au/eeo/nondiscrimlanguage.html</a></td>
</tr>
</tbody>
</table>
### C1.1 Non-discriminatory Language

The Faculty of Commerce supports the University’s policy on the use of non-discriminatory language. It is the responsibility of students to ensure that they understand and abide by this policy. The policy is available at:

http://staff.uow.edu.au/eeo/nondiscrimlanguage.html

### C1.2 Special Consideration Policy

The Faculty of Commerce recognises that it has a responsibility to ensure equity and consistency across its subjects for all students. Sometimes, in exceptional circumstances, students need to apply for special consideration in order to complete all assessable work. This may or may not apply strictly to this class, as there are no other written assessment tasks except for the examinations.

The University applies strict criteria to the granting of special consideration. Before applying for special consideration students should carefully read the University's policy. The policy can be found at:


### C1.3 Student Academic Grievance Policy

The Faculty of Commerce aims to provide a fair, equitable and productive learning environment for all its students. The Student Academic Grievance Policy seeks to support the achievement of this goal by providing a transparent and consistent process for resolving student academic grievances.

Any student who has a grievance over a result should obtain a Faculty of Commerce Appeal of Assessment Form from the Schools or the Sub-Dean’s Unit. The student should firstly take the form to the marker/lecturer to discuss the matter and, if the student is still not satisfied, s/he should take the next step as outlined on the form.

Once the grievance has been considered by the Faculty, if the student still feels the situation has not been fully resolved s/he may consult the Dean of Students. However, the Dean of Students can have no input into the academic judgement of the lecturer and can only review the grievance to ensure proper procedure has been followed.

For more information, please consult the policy in full at


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|---------------------------|-------------------------------|-------------------------------------------------|

* see brief explanation of policy below.
C2  FACULTY AND SCHOOL POLICIES

REFERENCING

WHY DO YOU NEED TO REFERENCE?

At University it is necessary to acknowledge the sources of information and ideas that you have incorporated in your assignments. Failure to do this thoroughly may result in accusations of plagiarism: this is the academic equivalent of stealing (because by not acknowledging someone else’s work, you are presenting it as your own). Plagiarism is taken very seriously by the University and may result in expulsion from the University.

Referencing is not only about acknowledging other people’s work: accurate referencing and lists of references are beneficial when researching a topic as they allow the reader to follow up information and read further into the area. In a sense, references provide readers with clues to help them explore different avenues of a topic. This aspect of referencing will become more valuable to you as you progress in your studies.

There is a correct procedure that must be followed when referencing and using footnotes. Not complying with these set techniques and format will most likely result in loss of marks.

When writing an essay it is easiest to reference as you go, making sure you are writing down all relevant information. This will save hours trying to find the source again in the library.

THE HARVARD SYSTEM OF REFERENCING

The Faculty of Commerce uses the Harvard system of referencing. This system makes use of short references within the body of the text. It is supplemented by a detailed list of references at the end of the text, which provides all the information necessary to find the source material. In-text references include the author and year of publication, and where necessary the page number(s).

It is the responsibility of students to ensure that they are familiar with the Harvard system of referencing and that they use it accurately in all written work submitted.

Students should consult the following University Library website for a detailed explanation and examples of the Harvard system of referencing.


CITATION OF ELECTRONIC SOURCES

It is necessary for students to reference all sources used in their written work, including file transfer protocol sites, worldwide web sites, telnet sites, synchronous communications (MOOs, MUDs, IRC, etc.) GOPHER sites, and email, Listserv and Newsgroup citations.

It is the responsibility of students to ensure that they are familiar with the accepted Faculty of Commerce practice for referencing electronic material and that they use it accurately in all written work submitted.

Students should consult the following University Library website for a detailed explanation and examples of how to reference electronic material.

NO ACTIVITIES WILL BE ALLOWED WHICH VIOLATE SAFE WORK PRACTICES AND STUDENTS SHOULD BE AWARE THAT IF ANY UNSAFE STUDENT PRACTICE IS REVEALED, IT WILL BE PROMPTLY REPORTED TO THE O.H. AND S. OFFICER OF THE UNIVERSITY OF WOLLONGONG.

**C3 SUPPORT SERVICES AND FACILITIES**

**LEARNING RESOURCE CENTRE**
Learning Development offers a range of free services to all enrolled students who wish to improve their academic or English language skills. There are a range of workshops available including: essay writing and editing; reading for assignments; grammar; presentation skills; pronunciation and exam preparation.

For information on language and academic skills workshops, or to make appointments for consultations, please visit the Learning Resource Centre (LRC), Building 19, Ground Floor, Room G102, or Phone 02 4221 3977. For further information visit the website:


**FACULTY LIBRARIANS**
Each faculty has a Faculty Librarian who is available to help with research related enquiries. Research Help Desk staff are also available in the Library to assist with research needs.

The Faculty Librarians for Commerce can be contacted as follows:

- email: lib_commerce@uow.edu.au
- telephone: 42213078

**DISABILITY LIAISON OFFICER**
The Disability Liaison Officer (DLO) can provide advice on how particular disabilities affect university study and information on resources available at the University for assisting students with disabilities. Students commencing courses are advised to contact the Disability Liaison Officer prior to the beginning of their first session of study.

For further information on services offered, consult the Disability Services website or contact the office.

- web address: http://www.uow.edu.au/student/services/ds/
- telephone: 42213445
- fax: 42215667
FACULTY DISABILITY ADVISERS

Faculty Disability Advisers are academic staff who provide assistance and support to students with disabilities within their Faculty and act as an intermediary between the student and the Faculty's academic and general staff. They provide support, educational advice and referral to appropriate staff on issues related to teaching and learning within the Faculty and the University. Students are advised to communicate specific information about the ways in which their disability affects learning to the Faculty Disability Adviser as soon as possible after enrolment.

The Faculty of Commerce Disability Adviser is Mr. Ron Perrin. Mr Perrin can be contacted as follows:

Office location: Building 40, room 224
email address: ron_perrin@uow.edu.au
telephone: 4221 4118

WOOLYUNGAH INDIGENOUS CENTRE

The Woolyungah Indigenous Centre provides academic and personal support for Aboriginal and Torres Strait Islander and other indigenous students. The Centre also runs an Indigenous Specific Orientation Program for students who gain entry to the University through the alternative admissions programs. For further information on services offered, consult the Woolyungah Indigenous Centre website or contact the office.

Centre location: Building 30
web address: http://www.uow.edu.au/wic/
telephone: 42213563
fax: 42214244

FINAL WORDS OF GRAVE IMPORTANCE

Each term there are a number of students who will hold the opinion that they can be relatively relaxed throughout the term, and then cram for the examinations. These students usually manifest one or more of the following:

1) Consistently late to tutorials
2) Lack of attendance at lectures
3) Unprepared, or under-prepared, at many/most/all of the tutorials
4) Lack of focus and persistence in study and preparation for this class

Students normally fail who manifest these personal character traits. This class requires clear focus and consistent personal application to the material in the text, as well as the additional resources provided by the subject coordinator. If students are not prepared to work very hard in this subject, they should be well-advised to simply withdraw prior to the HECS consensus date, and avoid the embarrassment and anguish which they will potentially cause to themselves, their tutor and subject coordinator, and to this University. Steady, focussed, and persistent effort is needed to pass this subject. If you are not willing to work very hard in this subject, please, please consider leaving and doing something else this term. This is a very substantive class and mastering the material is quite difficult. Students should consider that two hours focussed study each week for each of the credit points allotted to this subject is the absolute minimum required for this class. Many students study for much longer periods each and every week in order to score high marks. Please study in a focussed and resolute manner.