Subject Outline

FIN 223 Investments 1
Spring 2004
Wollongong Campus
Dubai Campus
University of Wollongong

6 Credit Points

Dr Scott Dobbs
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Subject Details

Description

This subject builds upon the skill developed in FIN 221, extending the language, concepts and techniques into the areas of capital investments and portfolio management. This subject introduces students to the investment decisions facing the investor, exploring the economic basis of investing and develops an analytical framework used to explain prices of investments within the various market structures. An emphasis upon a practical approach to capital investment decisions and portfolio management in the real world will assist students to understand the decisions facing investors and fund managers who face complex investment portfolio decisions.

Objectives

Upon completion of this subject, students should be able to apply sufficient theoretical and practical knowledge to exhibit understanding to:

♦ Identify, and solve the main decisions facing an investor in the selection, construction, and maintenance of a portfolio of assets;
♦ Explain, evaluate and discuss the major issues of organisation and function within alternative financial asset markets, including product development and recent trends in capital markets;
♦ Recognise and discuss the techniques and measures in the evaluation of investment performance;
♦ Recognise and discuss the terminology, concepts and characteristics of derivatives markets and their operation and use, especially in relation to hedging a portfolio of assets;
♦ Define portfolio management strategies and the fundamental issues and decisions involved in each strategy.

Method of Delivery

This subject is delivered in a combination of lecture, tutorial, and additional print material, coupled together with a hard copy textbook. In addition, if permission is subsequently granted, some CD material may be placed at the disposal of the students which may assist their learning, especially in regards to certain derivatives. At present, permission has been requested, but not yet given for site use of certain material.

Web CT

A site is currently under construction where students may access the subject outlines,
material is attempted each week and questions answered in the relevant weeks where
the material is given.

**Study Time**

This is a rigorous and substantive class, and as the class progresses, concepts covered
in earlier material are assumed knowledge for later more difficult and complex
decisions. Students should be aware that the University of Wollongong considers that
for every credit point assigned to a subject, a minimum of 2 hours each week should
be set aside by the student for careful study. As FIN 223 is a 6 credit point subject,
students should devote at least 12 hours each week to this subject, including class
times. Some students may require more time to grasp the material in any given week.
Students are warned that this class is not one where an apathetic or lethargic attitude
can be entertained in the first weeks and then devotion and “cramming” manifest in
the later part of the course. The material is difficult and should be carefully studied
from the first week of class to the final examination, and hopefully, carried into
professional life. Students who do not heed these wise words may find themselves in
deep academic trouble at the end of this subject.

**Lectures and Tutorials**

<table>
<thead>
<tr>
<th>Lecture</th>
<th>Day</th>
<th>Start Time</th>
<th>End Time</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lecture 1</td>
<td>Tuesday</td>
<td>2:30pm-3:30pm</td>
<td>14.G01</td>
<td></td>
</tr>
<tr>
<td>Lecture 2</td>
<td>Wednesday</td>
<td>10:30am-11:30pm</td>
<td>20.1</td>
<td></td>
</tr>
</tbody>
</table>

Students are to sign up for tutorials within the TPS online tutorial signup scheme. No
additional students are to be allowed in any tutorial where they are not properly
signed up and any tutorial changes **must be approved by the subject coordinator.**
**Assigned Textbook**


**Recommended Texts**

In addition to the assigned text, students may find the following texts helpful:


Haugen 2001, *Modern Investment Theory 5th* edition, Prentice Hall, Pearson Books, [This was last year’s text and a good learning resource]


**Subject Coordinator**

Dr Scott Dobbs  
School of Accounting and Finance  
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Fax:  4221-4297  
Email:  sedobbs@uow.edu.au

**Consultation Times**

Monday  10:30am-12:30pm  
Tuesday  10:30am-12:30pm
**Tutors**

Joel Grant [Also lecturer first section of subject]
School of Accounting and Finance
Office: 40.320
Telephone: 4221 3624
Fax: 4221 4297
Email: jgrant@uow.edu.au
Consultation times: TBA

Dr. Shyam Bhati
School of Accounting and Finance
Office: 40.318
Telephone: 4221 5383
Email: sbhati@uow.edu.au
Consultation times: TBA

**Student Administration**

Telephone: 612 4221 3938
Fax: 612 4221 4322
Email: studenq@uow.edu.au

**Library**

Telephone: 612 4221 3548
WWW: [http://www.library.uow.edu.au](http://www.library.uow.edu.au)

**Unishop Bookstore**

Telephone: 612 4221 8050
Fax: 612 4221 8055
Email: unishop@uow.edu.au

Students are free to purchase books anywhere they wish, but the proper texts have been ordered by the Unishop to accommodate the numbers in this class, given past experience with student numbers. If additional texts are needed, they will be promptly ordered from the publisher.
Assessment Guidelines

General Criteria

There will be three written assessments comprising 100 marks in total for this class. The amount of marks available in each assessment task is as follows:

- Major assessment: 30%
- Midterm examination: 30%
- Final examination: 40%

The major assessment is a complex problem comprising an analysis of returns and risk for a portfolio of securities, potentially made up of a combination of equities, fixed interest securities, managed funds, and indices. Students will receive more information prior to the end of week two of the course. Students should be aware of the following **very important** guidelines.

**Students are prohibited from making use of any written work produced by any student at the University of Wollongong, past or present, in any assignment in this subject.** This means that students may speak about the assignment, point other students to library resources, argue about proper treatment of inputs into the assignment, or otherwise help each other to learn the subject material, but are strictly forbidden to work together, share any information regarding the personal written work of any assessment task, or in any way collaborate together in the production of any assessment task in this subject. In short, (figuratively speaking) students can talk about the assignment in principle, point each other to resources which may answer questions, and help other students find resources within the textbook or otherwise, but may not look, touch, or even breathe on another student’s work, past or present, for any assessment task in this subject. Two or more assignments which are unduly similar and are picked up for plagiarism or copying will not be tolerated on the grounds that students “worked together” to produce the work. **Students need to understand this aspect of the subject requirements very clearly!**

Students must achieve a satisfactory result (at least 45%) in each assessment task, and **must achieve a clear “pass” in the final examination** in order to pass this subject. This assessment criterion will be rigidly enforced.

Although the emphasis in any assessment in this subject lies upon the substantive issues, a manifestly inadequate form or format may also result in loss of marks in any assessment. Students should, therefore, think carefully about the presentation of any assessment task. Marks may be scaled in any assessment in this subject at the subject coordinator’s discretion.
The policy of the University of Wollongong requires that no marks may be awarded for attendance, *per se*, nor is attendance to be used for the calculation of any assessment. You may, in short, lose marks for non-attendance even though you may not be awarded any marks at all for attendance. You MUST attend at least 75% of the tutorial classes to pass this subject. If you miss 4 tutorial classes in this subject without proper medical certification and special consideration, you will fail this subject for failing to meet the subject requirement.

Where a student’s marks fall at the border between gradients, the manifest effort and participation within the tutorial regime throughout the duration of the subject may be taken into account in the scaling or modification of any student’s marks.

**Performance grades**

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Distinction</td>
<td>85% or higher</td>
</tr>
<tr>
<td>Distinction</td>
<td>75%-84%</td>
</tr>
<tr>
<td>Credit</td>
<td>65%-74%</td>
</tr>
<tr>
<td>Pass</td>
<td>50%-64%</td>
</tr>
<tr>
<td>Fail</td>
<td>0-49%</td>
</tr>
</tbody>
</table>

**Special Consideration**

Students who, through serious illness or circumstances beyond their control are unable to attend a tutorial, examination, or submit an assessment task in a timely manner are required to submit proper medical documentation, as soon as the problem becomes known, to the University of Wollongong Administration. The hard copy of any supporting documentation must be presented to Administration using the proper form, but students can submit the initial application through the SOLS system online at [http://www.uow.edu.au/student/](http://www.uow.edu.au/student/).

Students should be made clearly aware that they have an obligation to communicate to the subject coordinator or their tutor as soon as a problem is foreseeable. Students who submit requests for special consideration at, or after, the due date for an assessment or examination are normally scrutinized very carefully to ascertain the legitimate underlying validity of their request. A very significant number of requests are refused. Special consideration is **not** automatically extended to the student except in very exceptional cases.

**Supplementary examinations**

Supplementary examinations are **not** automatically extended to students upon request for special consideration, even if special consideration is granted. In rare cases where
absence of extraordinary circumstances or submission of proper medical documentation. Students will be notified prior to the examination regarding the date, place, and time of the examination, and it is the student’s responsibility to ensure the proper addresses both email and postal, are correctly recorded on the University records. The University of Wollongong normally notifies students by email regarding the details of supplementary assessment tasks and examinations. Students should, therefore, check their emails regularly.

Full details of the University’s policy regarding special consideration are available on the University’s website. Students should familiarise themselves with these policies at: http://www.uow.edu.au/handbook/courserules/specialconsideration.html.

**Disability Policy**

Any student who suffers with a disability requiring reasonable accommodation in this subject are strongly advised to discuss the matter with the tutor and/or subject coordinator at the earliest possible convenience. In addition, the student should contact the Faculty Disability Advisor or the Disability Liaison Officer, and register with the University of Wollongong’s Disabilities Unit. More details can be found on the web at http://www.uow.edu.au/student/services/disabl.html.

**Non Discriminatory Language**

The University of Wollongong endorses a policy of non-discriminatory language practice and presentation in all academic and administrative activities. The policy is available at http://www.uow.edu.au/eeo/nondiscrimlanguage.html.

**Receipt of Assessment Tasks**

It is the student’s responsibility to ensure that a signed receipt is issued in regard to the submission of any assessment task.

**Midterm Examination**

The midterm examination contains multiple choice and “short-answer” questions, some of which are purely mathematically based, comprising 30% of the marks available in this subject.

Students should be aware that a dismal failure in the midterm examination will normally preclude further participation in this subject, for the student will be deemed to have failed to achieve a satisfactory result on an assessment task and will, therefore, fail this subject.
prior to the exam. An alternative venue for the midsession exam is currently being sought. Accommodation for this class in examination conditions is difficult.

**Final Examination**

The final examination is worth 40% of the marks available in this subject. All aspects of the topics in this subject are examinable, but an emphasis may lie upon the second section of the class material. The exam will last 3 hours and 15 minutes and is “closed book”. The final examination is a discriminatory examination in that it discriminates heavily against those students who are not thoroughly familiar with the material of the subject, and discriminates heavily in favour of those students who are thoroughly familiar with all aspects of the subject topics. It will be heavily weighted toward mathematical aspects of the subject, at the discretion of the subject coordinator. More information will be given to students as time progresses toward this examination. The University of Wollongong schedules the examination during the examination period at the end of the semester.

**Submission Requirements**

All assignments are to be placed in the box provided for this purpose, which will be displayed outside the office area of the School of Accounting and Finance in building 40, 3rd floor, or near the subject coordinator’s room (40.312). If specifically instructed during the class to submit directly to your tutor or course coordinator, then this is to be done. Otherwise, no other place of submission is acceptable. Students should be clearly aware that under no circumstances is an assignment to be faxed to the School to avoid late penalties. Faxed assignments will not be accepted. If an assignment is to be posted to the School of Accounting and Finance, it must be postmarked clearly and the date of the postmark will be deemed to be the date of submission. No assignment will be accepted if emailed to the tutor, course coordinator, or the School of Accounting and Finance. All assignments must have a School of Accounting and Finance cover sheet providing the course number, code, the name and student number of the student, the due date of the submission, the course coordinator and the tutor and tutorial time of the student submitting the assessment task. All pages of the assignment must be numbered with a maximum of 15 mm margin on both the left and right sides and 30 mm top and bottom margins. 1½ or 2 line spacing is permissible, but any wider spacing will be penalized, as well as excessive margins to inflate the impression of the length of the work. A disk with the student’s work file is required to be submitted along with the hard copy. This has been shown to resolve disputes in the past where some aspects of a student’s assessment task is not clear. The School of Accounting and Finance cover sheet is available on the web, at the
Plagiarism is not acceptable and will certainly result in the imposition of severe penalties. The University of Wollongong provides clear guidelines regarding the practice of plagiarism and how it can be avoided. Students are directed to the University of Wollongong handbook, located on the web at: http://www.uow.edu.au/handbook/courserules/plagiarism.html

Students are reminded that there is a prohibition in this subject regarding the use of any work produced by another student, past or present, in the generation of any assessment task. Any student found violating this prohibition will be severely penalized and a submission and report will be handed to the Faculty Investigation Committee to be permanently bonded to the student’s records. This constitutes academic misconduct and students have been expelled from this University for academic misconduct. In addition, the students should be aware that Professional bodies take a very dim view of those who practice dishonesty and many persons have been refused admission to the professional bodies on the basis of dishonest conduct. Honesty and integrity should be the foremost hallmark character attribute of any professional. Academic misconduct, therefore, is viewed as a loathsome practice.

Other examples of academic misconduct include, but are not limited to:
- Students improperly gaining knowledge of an assessment task or examination and using that knowledge in the assessment task or examination;
- Students forging the name of another student on a class role;
- Students having work prepared for them, for remuneration or otherwise, and submitting that work as their own.

Extensions

Extensions are almost never granted, except in very unique circumstances. If, however, a student encounters circumstances beyond their control which interferes with their ability to complete an assessment task and submit in a timely manner, the student should make the matter known to the subject coordinator as soon as it arises and seek an extension prior to the assessment task’s due date. No extension will be granted on or after the due date of an assignment without proper submission of acceptable medical documentation.

Late Penalties

A penalty will be applied to any assignment not submitted on or prior to the due date of 10% for every day, or part thereof, that the assignment is late. This also includes the weekends, so if an assignment is due on Friday, but is handed in on Monday, the penalty will be 30% of the marks available for that assignment. As the major assignment in this subject is worth 30 marks, if an assignment is submitted 3 days late, the student will be penalized 9 points.
moral of this story is: make your deadlines and don’t be late. Any assignment submitted 7 days late or more will be penalised so heavily that the student will be deemed, in the absence of acceptable medical documentation or permission from the course coordinator, to have failed the subject. No exceptions to this rule will be tolerated.

**Final Words of Grave Importance**

Each term, students are warned regarding the difficulty of class material, the need for continual and persistent effort every week, and the assumed accumulation of knowledge throughout the subject progression. Each term, students continually forsake these wise words, and attempt to cram for exams, plead with the subject coordinator for extended submission dates and leniency in the award of supplementary assessment tasks, such as supplementary exams or additional marks. Students should be forewarned that they forsake wisdom at their own peril. The current subject coordinator is notoriously intolerant toward students who do not make sincere effort throughout the entire course. This subject builds each week upon material presented in previous sections and students should accept the University guidelines as a minimum dedication to the learning requirement in this subject. Steady and focused dedication is needed to do well in this subject. If any students, after reading this outline, are honest enough to admit that they do not wish to work hard in this subject and will withdraw, they will maintain the subject coordinator’s respect for their courage and honesty. Students who do not anticipate hard work in this subject and are thinking that they can just “slip through”, are clearly warned that this is a recipe for disaster and failure. If you stay in this class, be prepared to work very hard. The subject coordinator makes no excuses regarding the hard work in this subject. Students are entering a professional field fraught with danger which demands careful attention in every detail. Students should, therefore, develop an attitude of professionalism in every detail of this class. Good luck.

**One last note**

If any problem arises concerning any aspect of this course, students should try to settle the matter with their tutor at first instance. If a settlement cannot be reached, the matter can be taken to the lecturer or subject coordinator. If at all possible, settle all conflicts at the tutorial level. The lecturers and tutors are here to help students, but sometimes the pressure of teaching, other work, and demands from other students preclude them from exercising the ability to address each student’s academic needs. Students should make good use, therefore, of the consultation times of each member of the teaching team, which are posted in the hallway near the Accounting/Finance area of building 40. This will help students learn more effectively, help prevent the temptation to inappropriately “work together” with other students, and help students stay abreast of the material presented each week. In conclusion it must be said that no two class groups are exactly the same. Although much effort is put into generating
### Readings and Tutorial Questions

<table>
<thead>
<tr>
<th>Week</th>
<th>Week beginning</th>
<th>Text chapter readings</th>
<th>Tutorial Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>19/07/2004</td>
<td>Chs. 1,2</td>
<td>No tutorials</td>
</tr>
<tr>
<td>2</td>
<td>26/07/2004</td>
<td>Ch. 4</td>
<td>P1:1,2,3; P2:1,2,4</td>
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<tr>
<td>3</td>
<td>02/08/2004</td>
<td>Ch. 5</td>
<td>Q4:2,5,14,16,18,19 P4:2,5,11</td>
</tr>
<tr>
<td>4</td>
<td>09/08/2004</td>
<td>Ch. 6</td>
<td>Q5:3,8,13,20; P5:6,12</td>
</tr>
<tr>
<td>5</td>
<td>16/08/2004</td>
<td>Ch. 7</td>
<td>Q6:3,6,11,16; P6:4,10</td>
</tr>
<tr>
<td>6</td>
<td>23/08/2004</td>
<td>Ch. 8</td>
<td>Q7:1,3,5,9,12,13; P7:11</td>
</tr>
<tr>
<td>7</td>
<td>30/08/2004</td>
<td>Ch. 9,10</td>
<td>Q8:5,6,7,16,17; P8:2,4</td>
</tr>
<tr>
<td>8</td>
<td>06/09/2004</td>
<td>Ch. 11</td>
<td>Q9:3; P9:2,3 Q10:1,4;</td>
</tr>
<tr>
<td>9</td>
<td>13/09/2004</td>
<td>Ch. 12</td>
<td>P10:2,3,4</td>
</tr>
<tr>
<td>10</td>
<td>20/09/2004</td>
<td>Ch. 13</td>
<td>P12:1,2,3,4; CP 12.2study hard, do your assignment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Break</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>04/10/2004</td>
<td>Ch. 14</td>
<td>P13:2,3,5,7</td>
</tr>
<tr>
<td>12</td>
<td>11/10/2004</td>
<td>Ch. 15, 16</td>
<td>P14:1,2,5,7,8,9,10</td>
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<tr>
<td></td>
<td></td>
<td>Review and final</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>18/10/2004</td>
<td>exam</td>
<td>P15:1,3,6,8,9,P16:1,6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>exams start</td>
<td>Study hard 😊</td>
</tr>
</tbody>
</table>

Q = discussion questions  
P = Problems

Readings will be placed in hard copy in the Resource Room (Richard Steinke Collection) located on the ground floor of building 40, at the east end. Students should go there to either retrieve or read the material. Tutorial answers and some lecture material will also be placed there from time to time. The major assignment will also be placed there.