SCHOOL OF ACCOUNTING & FINANCE

FIN 325 - BANKING PRACTICE

SUBJECT PROGRAM
AUTUMN SESSION - 2003

Subject Coordinator & Lecturer: Dr Hemant Deo
Room: 40.307
Telephone: (02) 4221 3731
**SUBJECT DESCRIPTION**

Banking practice is a comprehensive subject in banking that integrates with both the Finance and Accounting specializations within the School of Accounting & Finance. It combines information on the management practices and operation of banks. The subject involves in-depth discussions and analysis of banking practices within the Australian and International framework.

**SUBJECT PREREQUISITES**

Students need to have successfully completed ACCY 221 or FIN 221 - Business Finance I before attempting this subject, as the textbook prescribed will frequently use mathematical symbols and formulas. It is also advisable that students taking this subject are familiar with finance principles.

**SUBJECT OBJECTIVES**

1. Evaluate the role of modern banks within the Australian and International context.

2. Explain key functions of banks with a particular emphasis on the management of lending practices, credit risk, specific markets for bank loans and inter-bank relationships.

3. Design and plan an appropriate a bank lending submission.

4. Describe regulatory frameworks and their impact upon the banking environment.

5. Critically evaluate the banking environment: explain the implications of social, economic and political factors within the banking framework.

6. Evaluate Interest risk models: Maturity, Duration and Repricing models.

7. Demonstrate skills in the management of lending and credit risk.

8. Demonstrate an understanding of new developments in banking technology.
SUBJECT REQUIREMENTS AND METHOD OF ASSESSMENT

1. Any student failing to meet ALL the following compulsory requirements will be deemed to have failed the subject.

2. The compulsory subject requirements are:
   
a) Attendance at and active participation in at least 90% tutorials.

b) Written preparation of answers for at least 90% of the tutorial questions.

c) Submission of the following in academically acceptable form and within the time and length limit specified:
   
i) CASE STUDY
   ii) ESSAY

d) Achievement of a minimum mark of 45% in the final examination. Marks maybe subjected to scaling.

3. The composite mark will be made up as follows:

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>a) Case Study</td>
<td>10%</td>
</tr>
<tr>
<td>b) Essay</td>
<td>20%</td>
</tr>
<tr>
<td>c) Tutorial Participation</td>
<td>5%</td>
</tr>
<tr>
<td>d) Final Examination</td>
<td>65%</td>
</tr>
</tbody>
</table>

   TOTAL 100%

PRESCRIBED TEXT

REFERENCE TEXTS

The following text book have been placed on closed reserve to assist you in preparation for case study and essay:


*Please Note:

These readings are by no means representative of all the source materials you need to refer to; they provide guidance to other references needed. Comprehensive reading is required to successfully complete this subject.
RECOMMENDED JOURNALS

The Accounting Review
The Australian Banker
International Journal of Finance
Journal of Banking & Finance
Journal of Finance

TIMETABLE

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<tr>
<th>LECTURES</th>
<th>TIME</th>
<th>ROOM</th>
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<tbody>
<tr>
<td>Monday</td>
<td>11.30am - 1.30pm</td>
<td>20.4</td>
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TUTORIALS TIMES

To be advised in the lectures

LECTURES

There will be one two hours lecture per week, on Monday 11.30am - 1.30pm, in Room 20.4. The lectures are designed to highlight main areas of the topic in question. Students however, are strongly encouraged to do additional weekly readings from the reference lists in order to increase their understanding of the topic.

TUTORIALS

a) The tutorial questions are outlined in the tutorial schedule on page 10 of this program.

TUTORIAL PARTICIPATION

The tutorial participation will be assessed in the following manner:

a) Prepare written answers for the tutorial questions for that particular week. Collection of written answers is at the discretion of the lecturer.

b) Actively participate in the tutorial discussions.

CONSULTATION TIMES

Consultation times will be advised and posted on my office door.
The current banking lending environment is very different from that of the past. Over the years there has been a rise in residential mortgage or real estate loans. A reason that could be associated with this increase is that this type of loan is less risky than other types of loans such as car financing, commercial loans and development loans.

Critically discuss the above statement, giving reasons for either agreeing or disagreeing. Your answer should also incorporate examples that support that viewpoint adopted in your essay.

**REQUIREMENTS**

a) The essay should be 1000 words (anything in excess of 1000 words will not be read). The essay should be typed using double-line spacing and 12 point font.

b) The essay must include a synopsis and a list of references. The method of referencing used in the *Accounting Review* must be used. One copy of the essay should be submitted in person to the subject coordinator in the lecture on 7th April 2003. Essays must not be posted or transmitted by fax.

c) Penalties will be imposed from the mark awarded if there is:
   a) Late Submission: 2 marks per day or part thereof.
   b) No Synopsis: 2 marks.
   c) No List of references: 3 marks.

d) The assessment of the essay will consider the following:
   i) Synopsis
   ii) Structure and presentation
   iii) Content
   iv) Style
   v) Reference and citation

e) A plagiarized essay, which includes copying the work of another student, will receive a mark of zero (refer to University of Wollongong Acknowledgment Practice, on the website [http://www.uow.edu.au](http://www.uow.edu.au). All written submissions in this subject should include a cover sheet, a copy of which is attached at the end of this course outline.
CASE STUDY: BANK LENDING ANALYSIS

DUE DATE: 12th May 2003
CASE: To be Advised Later in the Lecture

REQUIREMENTS

a) Marks will be awarded for presentation, working and logical deduction of the answers in the case study. The case study should be typed using double-line spacing and 12 point font. All written submissions in this subject should include a cover sheet attached at the end of the course outline.

b) The case study should include a list of references. A copy of the case study should be submitted in person to the subject coordinator in the lecture on 12th May 2003. Case studies must not be posted or transmitted by fax.

c) Only the subject coordinator will consider extensions, if they are requested before 12th May 2003. Late submissions will incur a penalty of 1 mark per day, from the total mark given (counted from 12th May 2003) and must be submitted directly to the subject coordinator. A plagiarized case study, which includes copying the work of another student, will receive a mark of zero (Refer to the University of Wollongong Acknowledgment Practice on the website http://www.uow.edu.au).
SPECIAL CONSIDERATION AND SUPPLEMENTARY EXAMINATION

Refer to the University of Wollongong website (http://www.uow.edu.au) on supplementary exams and special consideration. If a supplementary examination is granted, it will be held at a date to be determined by the School within three weeks of the end of the formal examination period.

Students will be notified of the exam at least five working days beforehand. It is every student’s responsibility that the University Administration and the School of Accounting & Finance’s Administrative Assistant have the student’s correct address and telephone number. If a student requests a supplementary examination or special consideration, then it is the student’s responsibility to be available during the above period, in case a supplementary examination is granted. **Only one supplementary exam will be held.**

QUERIES AND QUESTIONS

Students who encounter difficulties with aspects of the subject should contact the subject coordinator.

*NOTE

This subject carries 6 credit points. The University has determined that each credit point translates into work of about 2 hours per week including class attendance.

DISABILITY

If a student with a disability requires reasonable accommodation in this subject they are strongly advised to discuss the issues early in the session with one of the following people: the Disability Liaison Officer, the Faculty Disability Adviser and/ or the Subject Coordinator. For the Faculty of Commerce, please see the Sub Dean.

STUDY TECHNIQUE

Success in this subject requires a consistent effort throughout the session. I hope you will find this subject both interesting and worthwhile, the ultimate success is largely in your hands.

Dr Hemant Deo  
Subject Coordinator  
FIN 325 - Autumn 2003
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<td>Australian Banking Industry: An Overview</td>
<td>1, 2, &amp; 3</td>
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<tr>
<td>2</td>
<td>10/3/03</td>
<td>Bank Lending Assessment - [1]</td>
<td>8</td>
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<tr>
<td>3</td>
<td>17/3/03</td>
<td>Bank Lending Assessment - [2]</td>
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| 4         | 24/3/03         | Banking Model:  
• [The Maturity Model] | 5 |
| 5         | 31/3/03         | Banking Models:  
• [The Duration Model]  
• [The Repricing Model] | 6, 7 |
| 6         | 7/4/03          | Off-Balance Sheet Activities | 9 |
|           |                 | **ESSAY DUE IN LECTURES ON 7/4/2003** | |
| 7         | 14/4/03         | Operating Costs & Technology Risks | 10 |
|           |                 | **EASTER RECESS**  
18th April to 27th April 2003 | |
| 8         | 28/4/03         | Bank’s Foreign Exchange Risk | 11 |
| 9         | 5/5/03          | Bank’s Special Risks:  
• Sovereign  
• Liquidity | 12, 13 |
| 10        | 12/5/03         | Bank’s Capital Adequacy | 14 |
|           |                 | **CASE STUDY DUE IN LECTURES ON 12/5/2003** | |
| 11        | 19/5/03         | Banking Futures & Forwards | 16 |
| 12        | 26/5/03         | Bank’s Management of:  
• Liability  
• Liquidity | 20 |
<p>| 13        | 2/6/03          | Review | |</p>
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<td>Chapter 2</td>
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<td>17/3/03</td>
<td>Chapter 8</td>
<td>2 &amp; 6</td>
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<td>5 &amp; 10</td>
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<td>2 &amp; 3</td>
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<tr>
<td>12</td>
<td>26/5/03</td>
<td>Chapter 16</td>
<td>4, &amp; 5</td>
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<tr>
<td>13</td>
<td>2/6/03</td>
<td>Chapter 20</td>
<td>4, &amp; 6</td>
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SCHOOL OF ACCOUNTING & FINANCE
ESSAY COVER SHEET

FIN 325 - BANKING PRACTICE ESSAY

Assignment Title: 
Student's Name: 
Student Number: 
Tutorial Time: 
Tutor's Name: 

Due Date: _______________ 
Date Submitted: _______________

DECLARATION: I certify that this is entirely my own work, except where I have given fully-documented references to the work of others, and that the material contained in this essay has not previously been submitted for assessment in any formal course of study.

Signature: 

PLAGIARISM: 
Plagiarism is CHEATING. The penalty for deliberate plagiarism is FAILURE in the subject.

PLEASE NOTE: 
STUDENTS MUST RETAIN A COPY OF ANY WORK

COMMENTS: 

MARK: 

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