SCHOOL OF ACCOUNTING & FINANCE

FIN 425/925 - BANKING THEORY & PRACTICE

SUBJECT PROGRAM
AUTUMN SESSION - 2003

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

FIN 425/925 Banking Theory & Practice focuses on aspects of practices and operations of banks within the banking sector. The subject integrates with both the Finance and Accounting specialisations offered by the School of Accounting & Finance. It entails comprehensive discussions on issues that are commonly involved within the banking environment such as the regulatory structure, the cheque clearing system, risk management, lending issues, capital adequacy analysis and the latest information technology within the banking world.

SUBJECT OBJECTIVES

On successful completion of this subject, students will be able to:

1. Appraise the role of the modern bank within the Australian and International context.

2. Discuss and illustrate key functions of banks with particular emphasis in areas such as lending practices, the various risks encountered and the overall regulatory framework.

3. Demonstrate an understanding of balance sheet planning and capital adequacy analysis used by banks.

4. Demonstrate an understanding of the implications of banking laws within the banking environment.

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

6. Demonstrate an understanding of various interest risk models: Maturity, Duration and Repricing models.

7. Demonstrate an understanding of new developments in banking technology over a period of time.
SUBJECT REQUIREMENTS & 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, active participation and preparation of at least 90% of the tutorials questions.

   b) Submission of, in an academically acceptable form and within the time and length limit specified:

      i) ESSAY
      ii) CASE STUDY

   c) Achievement of a minimum mark of 40% in the final examination. Marks may be subjected to scaling.

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

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<tbody>
<tr>
<td>a)</td>
<td>Case Study</td>
<td>12%</td>
</tr>
<tr>
<td>b)</td>
<td>Essay</td>
<td>20%</td>
</tr>
<tr>
<td>c)</td>
<td>Tutorial Participation</td>
<td>3%</td>
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<tr>
<td>d)</td>
<td>Final Examination</td>
<td>65%</td>
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</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 merely provide guidance to other references needed. Comprehensive reading is required to successfully complete this subject.
RECOMMENDED JOURNALS

The Accounting Review
The Australian Banker
Journal of Banking & Finance
Journal of Finance
The Journal of Lending & Credit Risk Management
Journal of Money, Credit & Banking

TIMETABLE

<table>
<thead>
<tr>
<th>LECTURE / TUTORIAL</th>
<th>TIME</th>
<th>ROOM</th>
</tr>
</thead>
<tbody>
<tr>
<td>FRIDAY</td>
<td>10.30am – 12.30 pm</td>
<td>20.5</td>
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LECTURES

The lectures are designed to highlight main areas of the topic in question. Students however, are strongly encouraged to do additional 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 subject 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.

*Please Note: This course requires an extensive amount of individual reading on a weekly basis by each student.
ESSAY QUESTION
DUE DATE: 18th APRIL 2003

Lending has always relied on the subjective judgement of the lending officers of the banks. However, with the development of credit scoring models it is seen that the element of subjectivity can now be omitted and the overall lending function can have a more objective dimension.

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

REQUIREMENTS

1. The essay should be 1500 words (anything in excess of 1500 words will not be read).

2. The essay should be typed using double line spacing and 12 point font.

3. The essay must include a synopsis and a list of references. The method of referencing used in the Accounting Review must be used. A copy of the essay should be submitted in person to the coordinator in the lecture on 18/4/2003. Essays must not be posted or transmitted by fax. The essay should contain a cover sheet which is attached at the end of this course outline.

4. 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.

5. The assessment of the essay will consider the following:
   a) Synopsis
   b) Structure and presentation
   c) Content (argument presented)
   d) Style
   e) References and citations

6. Plagiarised essays, which includes copying the work of another student will receive a mark of zero (refer to The University of Wollongong Postgraduate Acknowledgment Practice on the website http://www.uow.edu.au).
CASE STUDY: BANK LENDING

DUE DATE: 16th May 2003
CASE: To be Advised Later in Lectures

REQUIREMENTS:

a) Marks will be awarded for presentation, working and logical deduction of the answers of the case study.

b) The case study should be submitted to the subject coordinator during lectures on 16th May 2003. Only the subject co-ordinator will consider extensions, if they are requested before 16th May 2003. Late submissions will incur a penalty of 1 mark per day, from the total mark given (counted from 16th May 2003) and must be submitted directly to the subject co-ordinator.

c) A plagiarised 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).

d) All written submissions in this subject should include a cover sheet attached at the end of the course outline. The case study must not be posted or transmitted by fax.

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, see the Sub Dean.
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.

QUESTIONS & QUERIES

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 two hours per week that includes class attendance.

STUDY TECHNIQUE

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

Dr Hemant Deo
Subject Coordinator
FIN 425/925 - Autumn 2003
# FIN 425/925 Banking Theory & Practice

## Lecture Schedule

**[Autumn 2003]**

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<tr>
<th>WEEK NOS</th>
<th>WEEK COMMENCING</th>
<th>LECTURE TOPICS</th>
<th>TEXT BOOK CHAPTER/S</th>
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<tr>
<td>1</td>
<td>3/3/03</td>
<td>Introduction to Banking Theory &amp; Practice</td>
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<tr>
<td>2</td>
<td>10/3/03</td>
<td>The Australian Financial System Financial Statements: [A Banking Perspective]</td>
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</table>
| 3        | 17/3/03         | **A Bank’s Loan Portfolio Analysis:**  
**- Bank’s Credit Organisation**  
**- Selecting & Managing The Bank’s Loan Portfolio** | 9 10 |
| 4        | 24/3/03         | Commercial Lending | 11 |
| 5        | 31/3/03         | Consumer Lending  
Real Estate Lending | 12 TBA |
| 6        | 7/4/03          | Bank Interest Rate Risk Measuring Models | 3 & 4 S 8 & 9 |
| 7        | 14/4/03         | Managing Bank’s:  
**- Liabilities**  
**- Liquidity**  
**- Securities Portfolio** | 5 6 7 |

**ESSAY DUE IN LECTURES ON 18/4/2003**

**EASTER RECESS**

18th APRIL TO 27th APRIL 2003

| 8        | 24/4/03         | Managing Bank’s Capital | 8 |
| 9        | 5/5/03          | Banking Technology  
Country Risk Evaluation | S 14 S 16 |
| 10       | 12/5/03         | Bank’s Cheque Clearing System  
The Law Concerning:  
**- Banker & Customer Relationship** | TBA TBA |

**CASE STUDY DUE IN LECTURES ON 16/5/2003**

<p>| 11       | 19/5/03         | Banking Financial Futures &amp; Forwards Bank Interest Rate Options | 13 14 |</p>
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<tr>
<th></th>
<th>Date</th>
<th>Topic</th>
<th>Notes</th>
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<tr>
<td>12</td>
<td>26/5/03</td>
<td>Bank Interest Rate Swaps</td>
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<td>International Banking</td>
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<tr>
<td>13</td>
<td>2/6/03</td>
<td>Review</td>
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* Weekly readings will be assigned during the lectures.

## FIN 425/925 Banking Theory & Practice
### Tutorial Question Schedule

**[Autumn - 2003]**

<table>
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<th>Dates</th>
<th>Chapter/s</th>
<th>Question Numbers</th>
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<td>4</td>
<td>24/3/03</td>
<td>Chapter: 9, Chapter: 10</td>
<td>4, 2</td>
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<tr>
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<td>31/3/03</td>
<td>Chapter: 11</td>
<td>4 &amp; 11</td>
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<td>6</td>
<td>7/4/03</td>
<td>Chapter: 12, Chapter: TBA</td>
<td>9 &amp; 11, TBA</td>
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<td>1, 4 &amp; 6</td>
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