The University of Wollongong  
Department of Accounting and Finance  

ACCY923 Investment Management  

Subject Programme for  
Spring Session 2000  

Subject Description  
The subject examines selected advanced issues in the modern theory of investment management, portfolio theory, capital and derivative markets. The first part of the subject explores areas of security analysis and portfolio management including market efficiency, models for valuing portfolios and securities, bond analysis, emerging markets, portfolio performance evaluation. In the second part, a special emphasis will be given to exploring the properties of those derivative securities that are commonly encountered in practice. The subject will not only provide a theoretical framework within which all derivative securities (forward contracts, futures contract, options and others) can be valued and hedged, but also will look in more detail at the way they are traded.  

This subject is based on a combination of lectures/seminar presentations and focuses on texts, case studies, lecture notes and articles representing key contributions to specific topics within the areas outlined above. The suggested readings (book chapters, lecture notes and articles) are only guides. Students are encouraged to read more widely on the topics.  

General Learning Objectives  
Upon completion of this subject students should have sufficient theoretical understanding:  
♦ to identify and explain a selection of key issues referred to in the modern investment management literature;  
♦ to evaluate important contributions from the investments literature on the issues mentioned in the above subject description;  
♦ to be able to identify, discuss the significance of the above issues, their treatment in the literature and the existing state of knowledge;  
♦ to identify the implications of these issues for practice including evaluation of management of some funds using computer applications.  

In order to achieve these learning objectives, students will gain knowledge of the technical operation of methods that are used to analyse issues in investments including investment management, portfolio theory, capital and derivative markets.  

Co-ordinator and Lecturer  
Prof. Michael McCrae  
Room No 40.323  
Telephone  
(02) 4221 4015  

Consultation Time  
Please refer to the notice attached to the coordinator’s room 40.323 for consultation time. Consultations for other times can also be made by appointment.  

Lecture Time  
Wednesday 13:30 am - 15:30 am  
Room 40.122
Prescribed Texts


Further Supplementary Texts:


Weekly Assignments

Weekly assignment problems are arranged to assist students in their own work. Students should individually complete all the questions set and be prepared to contribute to the discussion in the classes.

Subject Requirements and Assessment

For the purpose of determining final grades for ACCY923, performance will be evaluated on a composite mark, determined as follows:

<table>
<thead>
<tr>
<th>Case Study 1</th>
<th>Case Study 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>15%</td>
<td>15%</td>
<td>70%</td>
</tr>
<tr>
<td>Final Examination</td>
<td></td>
<td>100%</td>
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To be awarded a pass or higher grade in this subject, students must attain at least 40% in the final examination. Final composite marks may be scaled.

Study Time Required for the Subject

In addition to the lecture/tutorial/group discussion time, students can expect to spend at least another 8 to 10 hours per week on average throughout the session to complete their work in this subject.

Case studies
During the session, students are required to do two case studies. The case studies are to be done in groups. Each group will consist of not more than four students. Active participation is necessary from each student of the group. Students must keep a diary of their activities in the group. The question for case study 1 will be handed out to the students in the second week or third week of the session. For case study 2 students are expected to begin activities including security selection, allocation of funds, monitoring, timing and evaluating the performance of their selected portfolio immediately on handout. To get feedback from groups, some attention will be given in class to this case during the session. Differential marks will be awarded based on participation at the coordinator's discretion.

**Presentation Standards**

Formats and procedures of the submission of both Case studies will follow the same mandatory requirements that are followed in essay presentations. That is, the case studies are to be typed using a computer word processing package. Line and a half spacing is to be used throughout. There is no need to submit a duplicate copy of the critique, but students are required to keep a duplicate, which can be submitted if they should lose their work. The pages must be numbered and there must be a title page showing the student’s name and number as well as the topic. References are to be listed at the end. Make sure proper referencing procedures are used.

Students will be expected to submit their assigned work with the require cover sheet before 1700 hours on the specified day. A submission box will be placed outside the coordinator’s room. It is the University policy that the lecturer is not to accept any assignments which are faxed to the department. Posted or emailed submissions will not be accepted under any circumstances.

Students will be penalised 1 (one) mark per day for each day of delay in submission from the total marks awarded, unless special exemption has been given by the coordinator of this subject.

**Submission Dates for Case Studies:**

<table>
<thead>
<tr>
<th>Case Study 1</th>
<th>16 August</th>
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<tbody>
<tr>
<td>Case study 2</td>
<td>25 October</td>
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</tbody>
</table>

**Plagiarism**

Plagiarism is the use of another person’s work, or idea, as if it is your own. The other person may be an author, critic, lecturer or another student. When it is desirable, or necessary, to use other people’s material, take care to include appropriate references and attribution - do not pretend the ideas are your own. Be sure not to plagiarise unintentionally. Plagiarism has led to expulsion from the University. For further information on plagiarism see General Calendar 2000 on the University website.

**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, Faculty Disability Adviser and/or the subject coordinator”.

**Special Consideration**

If special consideration is sought in relation to any of the elements of assessment (critiques, seminar presentation, class participation and final examination), a signed request for special consideration must be submitted to the lecturer before the element is taken, or if not undertaken, then as soon after as possible. Requests must be accompanied by a medical certificate.

**Supplementary Examination:** Supplementary examination in this subject will be granted only in exceptional circumstances. Students are also advised to refer to Undergraduate Calendar 2000 on the University Website for rules relating to special consideration and supplementary examinations.
## Lecture Topics

<table>
<thead>
<tr>
<th>Lecture Weeks</th>
<th>Topics</th>
<th>Readings: Chapters from Sharpe et al (1999) and Hull, J. 1998 &amp; Additional Readings</th>
<th>Tutorial Questions (Answers are to be submitted in that week)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week #1</td>
<td>Introduction Investment Environment and Process</td>
<td>Chapter 1, &amp; 2</td>
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<tr>
<td>Week #2</td>
<td>Markets and Instruments Microstructure of the ASX</td>
<td>Ch 3 (Sharpe et al)</td>
<td>From Sharpe et al (1999): 1.1, 1.6, 1.10, 1.18, 2.11 Reading No. 1.</td>
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<tr>
<td>Week #3</td>
<td>Market Efficiency Portfolio Theory and Efficient set &amp; Valuing Equity Portfolios - CAPM</td>
<td>Ch. 4 &amp; 22 (Sharpe et al) plus additional reading 1 Ch. 7, 8 &amp; 9 (Sharpe et al)</td>
<td>Ch 3.18, 3.24, 4.10, and Reading 1</td>
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**Case Study 1 Due:** 16 August

| Week #7       | Derivatives: Options Derivatives: Options (Contd) | Ch. 19 (Sharpe et al) and Ch. 1, 8 (Hull) Ch. 19 (Sharpe et al) and Ch. 1, 7, 8 (Hull) | From Sharpe et al (1999): 23.9, 23.20, 24.11, 24.23. |
| Week #8       | Derivatives: Options (contd) Derivatives: Forward Contracts and Futures | Ch. 19 (Sharpe et al) and Ch. 9, 10 & 11 (Hull)) Ch. 20 (Sharpe et al) and Ch. 2 & 3 Hull) | From Sharpe et al (1999): 19.5; From Hull (1998): 1.2, 1.14, 6.9. Quiz ch 1: 1, 2, 6 |

**Recess:** 11 September to 6 October

| Week 12       | Interest Rate Derivative Securities (contd), Review | Ch. 18 (Hull) Reading No 10 | From Hull (1998) Ch. 14.4, 14.8, 14.12(a) Quiz ch 14: 1, 2, 7 |

**Case Study 2 Due:** 25 October

| Week #13      | Review Review | From Hull (1998) Ch 19.2 and 19.7. and Review questions (TBA) | |