Subject Outline

FIN 226 Financial Institutions
Wollongong Campus

6 Credit Points
Spring 2003

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School of Accounting and Finance
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Subject details

Description

This subject presents an interlinked overview of the various markets upon which financial securities are created and traded. This includes the markets for short- and long-term debt securities, equity securities, derivative securities and currencies. The types of trading mechanisms used, and the roles played by the various market participants, are also examined. The key attributes of financial markets are defined and their impact upon security trading discussed.

Objectives

Upon completion of this subject students should have acquired sufficient understanding of financial markets to:

- Define the key attributes of financial markets and discuss how those attributes affect trading on those markets.
- Describe how the wholesale and retail banking sector functions.
- Describe the nature and characteristics of money market and bond trading.
- Describe the mechanisms used by the stock exchange for the trading of equity securities.
- Describe the different mechanisms used by the various commodity and derivative exchanges for the trading of derivative securities.
- Describe the global currency market and outline the role of the participants within this market.
- Define and evaluate the role of derivative trading upon the market for the underlying assets.

Outline the role that fund managers have had upon the functioning and characteristics of global financial markets.

Method of delivery

Lectures and tutorials represent the method of delivery used in this course. Questions to be answered prior to attending tutorials will be assigned at the end of the lecture the previous week.
Study time

University guidelines suggest that students should spend a minimum of 2 hours per credit point per week (including class attendance) upon each subject they are enrolled in. Therefore for this subject that would represent 12 hours per week.

Lecture/tutorial times

Lectures Times
Tuesday  10:30-11:30       67.303
Wednesday 10:30-11:30     20.2

Tutorial Times
Tuesday  8:30-9:30         40.122
Tuesday  2:30-3:30         25.149
Tuesday  5:30-6:30         30.114
Wednesday 9:30-10:30      40.125
Wednesday 11:30-12:30     67.209
Wednesday 5:30-6:30       67.209

Major text


Additional readings for weeks 1-4 can be found in the Commerce Resource room.
Contacts

Subject Coordinator

Craig Mellare  
School of Accounting and Finance  
Building No (40), Room No (311)  
Telephone 61 2 4221 (5510)  
Facsimile 61 2 4221 (4297)  
Email cmellare@uow.edu.au

Consultation times

Tuesday 3:30-4:30 pm  
Wednesday 3:30-4:30 pm

Tutor

Joel Grant  
School of Accounting and Finance  
Building No (40), Room No (320)  
Telephone 61 2 4221 (3624)  
Facsimile 61 2 4221 (4297)  
Email jgrant@uow.edu.au

Student administration

Telephone 61 2 4221 3938  
Facsimile 61 2 4221 4322  
Email studenq@uow.edu.au  
Student OnLine Services http://www.uow.edu.au/student/sols

Library

Telephone 61 2 4221 3548  
Web http://www-library.uow.edu.au
Purchasing of books (Unishop)

Telephone  61 2 4221 8050
Facsimile   61 2 4221 8055
Email       unishop@uow.edu.au
Assessment Guidelines

General Criteria

Assessment for this subject will comprise a major assignment, a mid-session exam and a final exam. To pass this subject, students must obtain a satisfactory mark (generally interpreted to mean 45%) in the final examination. Marks may be scaled.

Attendance at tutorials is compulsory. Active participation in tutorials will be taken into account for those students who on the margin between grades.

Performance grades

<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>HD</td>
<td>High Distinction</td>
<td>85–100%</td>
</tr>
<tr>
<td>D</td>
<td>Distinction</td>
<td>75–84%</td>
</tr>
<tr>
<td>C</td>
<td>Credit</td>
<td>65–74%</td>
</tr>
<tr>
<td>P</td>
<td>Pass</td>
<td>50–64%</td>
</tr>
<tr>
<td>F</td>
<td>Fail (unsatisfactory completion)</td>
<td>0–49%</td>
</tr>
</tbody>
</table>

Summary

<table>
<thead>
<tr>
<th>Task</th>
<th>Weighting</th>
<th>Due Date</th>
<th>Return date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-Session Exam</td>
<td>20%</td>
<td>26/8/03</td>
<td>9/9/03</td>
</tr>
<tr>
<td>Major Assignment</td>
<td>20%</td>
<td>7/10/03</td>
<td>28/10/03</td>
</tr>
<tr>
<td>Exam</td>
<td>60%</td>
<td>Exam Period</td>
<td>NA</td>
</tr>
</tbody>
</table>

Special Consideration

University policy requires students who, through serious illness or other circumstances beyond their control, are unable to attend an examination or meet any of the other course requirements, to submit medical or other documented evidence as soon as possible after the event to support their request for special consideration.

Supplementary examinations

Students should note that supplementary examinations are not an automatic entitlement on the submission of a request for special consideration. In cases where the decision is made to allow a supplementary examination, students will usually be required to take the examination 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 seven days beforehand. It is every student's responsibility that the University has a correct record of your current address.

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

Disability Policy

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. Students with a disability should also register with the University of Wollongong Disabilities Unit. More details can be found on the web at [http://www.uow.edu.au/student/services/disabl.html](http://www.uow.edu.au/student/services/disabl.html)

Non Discriminatory Language

As part of its Equal Opportunity/Affirmative Action initiatives, the University of Wollongong endorses a policy of non-discriminatory language practice and presentation in all academic and administrative activities of the University. The policy is available at [http://staff.uow.edu.au/eeo/nondiscrimlanguage.html](http://staff.uow.edu.au/eeo/nondiscrimlanguage.html)

Receipt of Assessment Tasks

It is your responsibility to ensure that you have a receipt signed by your lecturer/tutor, acknowledging submission of written work.
Assessment Tasks

Task 1: Mid-Session Exam

Due date: 26/8/03
Return date: 9/9/03
Weighting: 20%
Length: (NA) words

Assignment details

The mid-session exam will be run during the first lecture of week 6. The exam will be 45-minutes in length and will cover the material from weeks 1 through 5.

Assessment Criteria/Marking Guidelines

Correctly answering questions. Partial marks are awarded for partially correct answers.
Task 2: Major Assignment

Due date: 7/10/03
Return date: 28/10/03
Weighting: 20%
Length: No more than 3000 words

Assignment details

Topic: Select a recent Initial Public Offering (IPO) on the Australian Stock Exchange (ASX). Acquire a copy of the prospectus the company issued for the float. Then answer the following questions:

1. What industry does the company operate in? In no more than 200 words outline the activities of the company being examined and the industry in which it operates. Be sure to mention the share of the market/s that the company held at the time of the float.
2. What was the reason given for listing on the ASX? Do you believe this is a valid reason?
3. On what date did the company list on the ASX?
4. What was the market value of the company, according to the offer price contained in the prospectus?
5. What was the market value of the company at the end of the first day of listing? (ie, what was the company’s market capitalisation upon listing?)
6. What was the value of the All Ordinaries Index (AOI) over the ten trading days either side of the listing day? What was the return upon the AOI on each of these 20 trading days?
7. What was the stag profit/loss an investor in this company would have made had they bought shares in the float and then sold them on the first day of trading? What impact would the inclusion of transaction costs have had upon this profit/loss?
8. How does the stag profit/loss compare to the return on the AOI on the day of listing? Did the investor make a greater return on the float than had they invested in the market index?
9. How volatile was the company during the first day of listing? How would this volatility (or lack thereof) have affected an investor’s stag profit/loss?
10. How liquid was the company on the first day of listing? How would this liquidity have benefited or hindered institutional investors in the float?
11. Was the float successful? In no more than 1000 words, discuss the reasons why you believe that this was, or was not, a successful action for the company. Also discuss the reasons why you believe this was, or was not, a successful investment for the investors who bought into the float. Refer to appropriate academic literature in formulating your answer.

NOTE: This is an INDIVIDUAL assignment

Assessment Criteria/Marking Guidelines

Marks will be awarded based upon the following broad criteria:

- Addressing the questions that have been asked in a clear and concise manner. Marks are not awarded for excessive verbosity.
- Properly supporting statements with market data or correct citations of academic research
- Conducting independent research, not simply relying upon the textbook, assigned readings and lecture notes
Task 3: Examination

Date: University examination period
Weighting: 60%
Length: (3) hours (15) minutes

Examination details

The final exam will comprise short answer questions covering material from the entire course. More details will be made available closer to the end of the session.
Submission Requirements

Assignment Submission

Place of Submission: At the start of the first lecture on Tuesday October 7 2003.

Post: Posted assignments will be accepted if they are postmarked as being sent by the due date.

Facsimile: No faxed assignments will be accepted.

Email: Emailed assignments will not be accepted except under exceptional circumstances. Even then the student must have sort permission to email an assignment from the course coordinator by no later than the due date.

Assignment cover: You must complete and attach a School of Accounting and Finance Assessment Cover Sheet to the front of your assignment available at the following web address: http://www.uow.edu.au/commerce/accy/resources/index.htm

Collection: Assignments will be available for collection from the office of the course coordinator.

Acknowledgment/Plagiarism

Plagiarism is not acceptable and may result in the imposition of severe penalties. The University provides clear guidelines on its attitude towards plagiarism and how to avoid unintentional plagiarism in the Postgraduate University Calendar, located on the web at http://www.uow.edu.au/handbook/courserules/plagiarism.html

Students are advised to read these carefully. If any doubts remain as to what constitutes plagiarism, students should discuss the matter with the subject co-ordinator.

The Harvard 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). For example:

Owners of a firm are regarded as external parties (Martin 1988, p. 7)
You will see variations on how the information in brackets is presented. For example the 'p.' for page is often omitted, and preceded by a colon, that is: (Martin 1988: 7). The first example follows the guidelines set out in the *Style Manual for Authors, Editors and Printers*, 5th ed, 1995, p. 149. The important thing to remember is to be consistent in your punctuation format, and to check with your lecturer as to his or her preference.

The brief in-text references must be supplemented by a detailed list of references at the end of your assignment. Sources are listed alphabetically by the surname of the author. The format is as follows:


The above format follows that specified by the 1995 edition of the *Style Manual*. Expect to find variations in the placing of commas, brackets around the year of publication, and order of place of publication and the publisher's name. Regardless of these minor differences in format, the minimum information for each reference entry is:

- the name of the author(s), (Martin C.)
- year of publication, (1988)
- edition of the book if it is a reprint, (2nd ed)
- title of the book in italics, (*An Introduction to Accounting*)
- In the case of hand written assignments, underline the title
- publisher's name and place of publication, (McGraw-Hill, Sydney)

For journal entries the format is as follows:


For journal entries the minimum information is:

- the author's name,(Boer, G.,)
- the year of publication, (1984)
- the title of the publication enclosed within single quotation marks, ('Solutions in search of a problem: The case of budget variance investigation models')
- the title of the journal in italics, (*Journal of Accounting Literature*)
- the volume number or month or publication, (vol. 3)
- the page numbers of the article, (pp. 47-69)
How do you quote someone?

The material you cite in your assignment might be a paraphrase from someone else’s work, or a direct quote. In the case of a direct quotation there are a number of conventions you need to observe. Firstly, the words of the original should be copied exactly, and placed within double inverted commas. For example:

Thus, if this statement is to be included in the annual reports it will "enhance the awareness, comprehension and acceptance of value added by workers" (Morley, 1978, p. 21).

The second convention to observe is the placing of square brackets around words that are not in the original quote but are necessary to the sentence to aid clarity. For example, in the above example from a student essay, the reader won't know what this statement refers to. An informative quote from the student assignment would therefore be:

Thus, if [a Value Added Statement] is to be included in the annual reports it will "enhance the awareness, comprehension and acceptance of value added by workers" (Morley, 1978, p. 21).

The other two conventions related to quoting which are necessary to observe are (i) the use of ellipsis marks (...) to show that some part of the quote has been omitted, and (ii) indentation of quotes that are longer than three lines. As longer quotes are offset from the main text and indented, it is not necessary to place them in quotation marks. Indented quotations are often written in a smaller point. For example:

Many small businesses are owned by one person. No particular legal formalities are required to commence operations, although it is common practice to set up a business bank account and operate under a business name, which must, in certain circumstances, be registered. Amounts contributed to the business by the owner are called capital.

This section on referencing has been very brief, and no doubt it will not answer all your referencing questions. Keep in mind that every article you read for your subject will incorporate references. Use these articles as a resource to assist you in improving your referencing by taking note of how the author incorporates the reference into the text in terms of the mechanics (colons, brackets, order of information etc.), and more importantly when you need to include a reference.

Citation of Electronic Sources

The basic component of the reference citation is:

Author’s Lastname, Author’s Firstname. “Title of Document.” Title of Complete Work (if applicable). Version or File Number, if applicable. Document date or date of last revision (if different from access date). Protocol and address, access path or directories (date of access).

The following provide specific examples, using the format above. Please bear in mind, however, that, like the Internet itself, the information sources are in a constant state of flux and, therefore, this work will also need to change as the sites themselves proliferate to the new era of electronic print.

FTP (File Transfer Protocol) sites
To cite files available for downloading via ftp, give the author’s name (if known, the full title of the paper in quotation marks, the document date if known and if different from the date accessed, and the address of the ftp site along with the full path to follow to find the paper, and the date of access.


WWW (World Wide Web) sites
Available via Lynx, Netscape, other web browsers
To cite files available for viewing/downloading via the World Wide Web, give the author’s name (if known), the full title of the work in quotation marks, the title of the complete work if applicable in italics, the document date if known and if different from the date accessed, and the full http address, and the date of visit.


Telnet sites
Sites and files available via the telnet protocol
List the author’s name or alias (if known), the title of the work (if shown) in quotation marks, the title of the full work if applicable in italics, the document date if known and if different from the date accessed, and the complete telnet address, along with directions to access the publication, along with the date of visit.

Synchronous communications (MOOs, MUDs, IRC, etc.)
Give the name of the speaker(s) and type of communication (i.e., Personal Interview), the address if applicable and the date in parentheses.


GOPHER sites
Information available via gopher search protocols
For information found using gopher search protocols, list the author’s name (if known), the title of the paper in quotation marks, the date of publication if known and if different from the date accessed, any print publication information, and the gopher search path followed to access the information, including the date that the file was accessed.


Email, Listserv and Newsgroup citations
Give the author’s name or alias (if known), the subject line from the posting in quotation marks, the date of the message if different from the date accessed, and the address of the listserv or newsgroup, along with the date of access in parentheses. For personal e-mail listings, omit the e-mail address.


Further reference
Assignment Format

Mandatory presentation requirements:

1. The assignment must be typed, double spaced, on one side of the paper only.
2. A duplicate of the assignment is not required. You must however ensure that you have the capacity to provide a duplicate should this be required.
3. Problems with computers, software, lost disk, etc, will not be accepted as excuses for late submission or inability to reproduce a second copy (if required).
4. Pages are to be numbered consecutively.
5. There must be a margin of 30mm on each side.
6. Submit a copy of the prospectus for the company you have selected along with your assignment.

Due Date

The due date is the last date for the University to receive an assignment. The date of submission by post for distance students will be the postmark date stamped on the assignment envelope.

Extensions

Extensions may be granted if circumstances beyond the control of the student interfere with their ability to complete the task on time. These will only be granted by the subject co-ordinator and must be applied for before the due date.

Please Note: Extensions will not be granted after the due date.

Late submission

Late submission penalty: One mark per day or part thereof.

Disclaimer

The School attempts to ensure that the information herein is up to date at the time of production, however we reserve the right to amend without notice in response to changing circumstances.
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<thead>
<tr>
<th>Week</th>
<th>Week Beginning</th>
<th>Topic/s</th>
<th>Reading/s</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>21/7/03</td>
<td>Introduction to Capital Markets</td>
<td>O'Hara, 1997, Market Microstructure Theory, Chapter 1</td>
</tr>
<tr>
<td>5</td>
<td>18/8/03</td>
<td>Retail and Wholesale Banking</td>
<td>Hunt and Terry, Chapters 6 and 7.</td>
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<tr>
<td>6</td>
<td>25/8/03</td>
<td>Debt Markets: Money Markets</td>
<td>Hunt and Terry, Chapter 10</td>
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<tr>
<td>7</td>
<td>1/9/03</td>
<td>Debt Markets: Bond Markets</td>
<td>Hunt and Terry, Chapter 11</td>
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<tr>
<td>8</td>
<td>8/9/03</td>
<td>Equity Markets: The Share Market</td>
<td>Hunt and Terry, Chapter 12</td>
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<td>9</td>
<td>15/9/03</td>
<td>Overseas Capital</td>
<td>Hunt and Terry, Chapter 13</td>
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<tr>
<td>Date</td>
<td>Topic</td>
<td>Reading Material</td>
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<td>-------</td>
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<td>-------------------------------------------------------</td>
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<tr>
<td>10</td>
<td><strong>Mid-semester Recess</strong></td>
<td></td>
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<tr>
<td></td>
<td>6/10/03</td>
<td>Derivative Markets: Futures and Options Exchanges</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Hunt and Terry, Chapters 17, 18, 20, and 21</td>
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<tr>
<td></td>
<td><strong>Assignment Due</strong></td>
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<td></td>
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<tr>
<td></td>
<td></td>
<td>October 7 2003</td>
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<tr>
<td>11</td>
<td>13/10/03</td>
<td>Over The Counter Markets: Foreign Exchange Markets</td>
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<tr>
<td></td>
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<td>Hunt and Terry, Chapters 14 and 15</td>
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<td>12</td>
<td>20/10/03</td>
<td>The Role of Managed Funds</td>
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<td>Hunt and Terry, Chapter 8</td>
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<tr>
<td>13</td>
<td>27/10/03</td>
<td>Review</td>
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