

mail **School of Finance, Actuarial
Studies and Applied Statistics**
ANU College of Business and
Economics
Building 26C
The Australian National University
ACT 0200

fax **School Office**
02 6125 0087
College Reception
International: +61 2 6125 0744
Within Australia: 02 6125 0744

tel **School Office**
02 6125 0487
College Reception
International: +61 2 6125 3807
Within Australia: 1300 732 120
(local call cost only)

email info.cbe@anu.edu.au
main office Room 2.01
Level 2
Building 26C
[refer to the ANU Campus Map
\(map GH32, reference G3\)](#)

Course Outline

FINM7006 Foundation of Finance

Semester 1, 2012

*STUDENTS: Course details change from semester to semester. **Please check** that you are reading the Course Outline for the correct semester.*

Course Description

This course is designed to familiarize students with the components of the financial system as well as to introduce them to the three basic ideas underpinning finance: the time value of money; diversification; and, arbitrage. The aim of the course is to provide students with introductory exposure to financial transactions, institutions and markets including money markets, stock markets, foreign exchange, derivative markets and contracts. It provides students with a solid foundation for later studies in finance.

Graduate Studies Select Classification

Specialist and Transitional

Contacts

Role	Office address	Email	Telephone	Consultation Times
Course Convenor and Lecturer (Course Authority) Yin Liao	Room 3.67 Building 26C	yin.liao@anu.edu.au	6125 7295	TBA
Tutor/s TBA				
School Student Administrators Tracy Skinner	Room 4.48 Building 26C	tracy.skinner@anu.edu.au	6125 0487	NA

Communication

Email

If necessary, the lecturers and tutors for this course will contact students on their official ANU student email address. Information about your enrolment and fees from the Registrar and Student Services' office will also be sent to this email address.

Announcements

Students are expected to check the Wattle site for announcements about this course, e.g. changes to timetables or notifications of cancellations. Notifications of emergency cancellations of lectures or tutorials will be posted on the door of the relevant room.

Course URLs

More information about this course may be found on:

- [Study @ ANU](#),
- the [College of Business and Economics website](#), and
- [Wattle](#), the University's online learning environment. Log on to Wattle using your student number and your ISIS password.

Course Information

Learning Outcomes

Upon successful completion of the requirements for this course, students will be able to:

- Understanding financial transactions, institutions and markets (including money markets, stock markets, derivative markets and contracts)
- Understand the Time Value of Money concept
- Understand the relationship between risk and return
- Understand Arbitrage and its application

Workload

Students taking this course are expected to commit at least 10 hours a week to completing the work.

This will include:

- *2 hours a week: lecture*
- *1 hours a week: tutorial; and,*
- *At least 7 hours a week: reviewing lectures, preparing tutorial questions, in-tutorial discussions and attempting practice questions.*


Course Delivery

Two hours lecture and one hour tutorial per week (in suggested weeks).

Tutorial Registration

Enrolment in tutorials will be completed online using the Electronic Teaching Assistant (ETA). To enrol, follow these instructions:

- Go to <http://eta.fec.anu.edu.au>.

- You will see the Student Login page. To log into the system, enter your University ID (your student number) and password (your ISIS password) in the appropriate fields and hit the **Login** button.
- Read any news items or announcements.
- Select "Sign Up!" from the left-hand navigation bar.
- Select your courses from the list. To select multiple courses, hold down the control key. On PCs, this is the **Ctrl** key; on Macs, it is the  key. Hold this key down while selecting courses with the mouse. Once courses are selected, hit the **SUBMIT** button.
- A confirmation of class enrolments will be displayed. In addition, an email confirmation of class enrolments will be sent to your student account.
- For security purposes, please ensure that you click the **LOGOUT** link on the confirmation page, or close the browser window when you have finished your selections.
- If you experience any difficulties, please contact the School Office (see page 1 for contact details).

Study Schedule

The list below is a proposed study plan, but this may be modified as we progress through the semester to allow us to take more or less time with different sections of the course as required.

Week beginning	Theme / Topic / Module	Activity	Required student preparation	Deadlines
20 Feb	Course Overview: An Introduction to Financial Markets and Systems	Lecture	Lecture Notes 1; CFA Code of Ethics and Standards of Professional Conduct: I. Professionalism; VII. Responsibilities as CFA Institute Member or CFA Candidate.	
27 Feb	The Time Value of Money: An Introduction to Financial Mathematics	Lecture / Tutorial	Lecture Notes 2	Tutorial 1 Questions; In-tutorial Discussion 1
5 March	The Time Value of Money: Valuing Shares	Lecture / Tutorial	Lecture Notes 3	Tutorial 2 Questions; Quiz 1
12 March	The Time Value of Money: Valuing Debt Instruments	Lecture / Tutorial	Lecture Notes 4	Tutorial 3 Questions; Quiz 2; In-tutorial Discussion 2
19 March	The Time Value of Money: Making Investment Decisions	Lecture / Tutorial	Lecture Notes 5	Tutorial 4 Questions; Quiz 3
26 March	Diversification – Defining Risk and Understanding its Relationship with Return	Lecture / Tutorial	Lecture Notes 6	Tutorial 5 Questions
2 April	Course Review for the first half semester	Lecture / Tutorial	Lecture Notes 7	Tutorial 6 Questions

TBA	Mid-semester Exam	No Lecture or Tutorial		
23 April	Diversification – Portfolio Theory	Lecture / Tutorial	Lecture Notes 8	Tutorial 7 Questions
30 April	Diversification – The Capital Asset Pricing Model (CAPM) and the Required Rate of Return Risk	Lecture / Tutorial	Lecture Notes 9	Tutorial 8 Questions; In-tutorial Discussion 3
7 May	Arbitrage: Forwards and Futures Contracts	Lecture / Tutorial	Lecture Notes 10	Tutorial 9 Questions; Quiz 4
14 May	Arbitrage: Options Contracts	Lecture / Tutorial	Lecture Notes 11	Tutorial 10 Questions; Quiz 5
21 May	Arbitrage: Forwards, Futures and Options Contracts as Tools for Risk Management	Lecture / Tutorial	Lecture Notes 12	Tutorial 11 Questions;
28 May	Course Review	Lecture / Tutorial	Lecture Notes 13	Tutorial 12 Questions;

Assessment

Proposed Assessment Schedule

Details about assessment may change during the first two weeks of semester. Please ensure that you check with your lecturer or tutor about any changes. Changes to the assessment schedule will be posted to the Wattle site.

Assessment item	Description and detail of assignment	Specific requirements	Due Date	Weighting (%)
Quizzes	5 Quizzes will be as detailed in the lecture schedule and all quizzes count towards student's final grade. Quizzes are all held ONLINE; and late submission is not allowed.	Students should prepare their tutorial questions prior to the tutorial. Each online quiz has specific due time; and students should attempt quiz independently.	See Study schedule and announcements on the Wattle course site for open and close times of quizzes.	10%
Mid-semester Examination	Closed book exam with no formula sheet. Students are required to revise and memorize appropriate formulae. A mixture of theory and practice questions will be asked. More details will be provided as the exam	Students will need to review and revise all material pertaining to the course.	TBA	40%

	approaches.			
Final Examination	Closed book exam with no formula sheet. Students are required to revise and memorises appropriate formulae. A mixture of theory and practice questions will be asked. More details will be provided as the exam approaches.	Students will need to review and revise all material pertaining to the course.	TBA	50%

Learning Outcomes-Assessment

How well have you achieved the learning outcomes for this course? Your lecturer makes this judgment based on your assignments and examination papers. This table illustrates how each assessment item provides evidence about your achievements against each learning outcome.

Course Learning Outcomes	Quizzes	In-tutorial Discussions	Examinations
Upon successful completion of the requirements for this course, students will be able to:			
Understanding financial transactions, institutions and markets.	Understanding of the three basic finance ideas and apply them to price financial instruments, such as shares, bonds, and derivative contracts.	Understanding of the three basic finance ideas and relate the knowledge to practice.	Understanding financial transactions, institutions and markets. The three basic ideas underpinning finance: the time value of money, diversification and arbitrage.

Assignment Details

Online Quizzes

Due Date	5 quizzes held outside tutorials over the semester.
Value or Weighting (%)	2% for each quiz
Marks	A total of 10%
Suggested Length	20 minutes in duration for each quiz
Instructions	<ul style="list-style-type: none"> Students are required to prepare worked solutions to tutorial questions, bring these solutions to tutorials. The content for the quizzes will be limited to the required material for the tutorial in which it is listed. Students' all 5 quizzes marks will count towards 10% of their overall course grade.

Purpose	Help students understand three basic ideas underpinning finance and provide feedback for instructor and student on their progress for the course.
Marking Criteria	Model solution prepared by lecturer which will be made available to students after the quiz is held.
Submission / Presentation Details	N/A

In-tutorial Discussions

Due Date	3 In-tutorial discussions held within tutorials over the semester.
Value or Weighting (%)	0 for each discussion
Marks	A total of 0%
Suggested Length	15 minutes in duration for each discussion
Instructions	<ul style="list-style-type: none"> • Students are required to prepare discussion topics prior to each tutorial in which discussion is held. • Relevant material should be prepared and brought to the tutorials if applicable. • Students' all 3 discussion will not contribute to their overall course grade.
Purpose	Help students understand three basic ideas underpinning finance and provide feedback for instructor and student on their progress for the course.
Marking Criteria	Discussions will be organized in tutorial groups.
Submission / Presentation Details	N/A

Mid-semester Examination

Due Date	TBA
Value or Weighting (%)	40%
Marks	40
Suggested Length	The exam will be one hour and 45 minutes in duration which includes 15 minutes reading time and one and half hours writing time.
Instructions	The mid-semester examination will test topics covered in lectures held in Week 1-Week 6 (inclusive). The exam will include a mixture of theoretical and numerical questions. Students will be provided with further details regarding the exam as it approaches.
Purpose	Help students understand three basic ideas underpinning finance and provide feedback for instructor and student on their progress for the course.
Marking Criteria	Model solution prepared by lecturer – will be made available to students after the

	exam is marked.
Submission / Presentation Details	N/A

Final Examination

Due Date	TBA
Value or Weighting (%)	50%
Marks	50
Suggested Length	The exam will be 3 hours and 15 minutes in duration which includes 15 minutes reading time and 3 hours writing time.
Instructions	The final examination will be based on all the work covered throughout the duration of the semester. The exam will include a mixture of theoretical and numerical questions. Students will be provided with further details regarding the exam as it approaches.
Purpose	Help students understand three basic ideas underpinning finance and provide feedback for instructor and student on their progress for the course.
Marking Criteria	Model solution prepared by lecturer
Submission / Presentation Details	N/A

Return of Assignments

Scaling

*Your final mark for the course will be based on the **raw** marks allocated for each assignment or examination. However, your final mark may not be the same number as produced by that formula, as marks may be **scaled**. Any scaling applied will preserve the rank order of raw marks (i.e. if your raw mark exceeds that of another student, then your scaled mark will exceed the scaled mark of that student), and may be either up or down.*

Extensions

N/A

Penalties

All assessments mentioned above are mandatory and not redeemable. Students lose corresponding marks for the assessment(s) they fail to sit in. No extra penalties will be applied.

Examinations

N/A

Texts and Other Reading

Prescribed Texts

Students should note that a textbook has NOT been prescribed for this course. Instead, the lecture notes, tutorial questions and problem sets will provide students with all the materials required to complete the course.

Technology, Software, Equipment

A NON-PROGRAMMABLE scientific calculator is needed for every enrolled student in studying this course. It is students' responsibility of learning how to use their calculators.

Recommended Reading

Students who wish to undertake additional reading may choose to read the text listed below. However, students should note that reading the text is NOT a course requirement.

- *Viney, C., 2009, McGrath's Financial Institutions, Instruments and Markets, 6th Edition, Irwin / McGraw-Hill, Australia.*
- *Ben, H., and Chris, T., 2011, Financial Institutions and Markets, 6th Edition, Cengage.*

Course-related Matters

Requisites

N/A

Co-teaching

This course is taught for enrolled postgraduate students only.

General Information for all Students

CBE Student Office

<http://www.cbe.anu.edu.au/>

The CBE Student Office provides assistance with program and course selection, enrolment, change of program, variation to enrolment, status and other general matters. It is located on Level 2 of CBE Building 26c, contact details:

- T: (61) 02 6125 3807
- E: info.cbe@anu.edu.au

Main Administrative Dates 2012

http://www.anu.edu.au/sas/SEAP_guide/

The main administrative dates regarding teaching sessions, course census dates, examination period, graduation and enrolment variations (i.e. add and drop courses) are available from the ANU SEAP Guide 2012.

Associate Dean (Education)

Dr Royston Gustavson is the Associate Dean (Education) in the ANU College of Business & Economics.

ANU Student Support

Academic Skills and Learning Centre

<http://www.anu.edu.au/academicskills/>

The Academic Skills and Learning Centre, in the Pauline Griffin Building, offers services to students regarding a range of academic issues including essay writing, note-taking, referencing, reading, examination preparation, and plagiarism.

ANU College

<http://www.anucollege.com.au/>

ANU College offers the following introductory and extended programs:

- maths bridging courses; and
- English language support for students from non-English-speaking backgrounds.

Information Literacy Program

<http://ilp.anu.edu.au/index.html>

Workshops are available to undergraduate and graduate students to develop skills in handling information and communication technologies.

Policies, Procedures and Rules

ANU SEAP Guide 2012

http://www.anu.edu.au/sas/SEAP_guide/

The Student Enrolment and Administrative Procedures Guide (SEAP) supplements the ANU Undergraduate Handbook information available on Study@ANU (<http://info.anu.edu.au/studyat/>), the ANU Rules (<http://www.anu.edu.au/cabs/rules/>), and the Graduate Research website (<http://www.anu.edu.au/graduate/>).

Information for Enrolled Students

http://cbe.anu.edu.au/Current_Students/general_info/

Students are expected to be familiar with the ANU College of Business & Economics and university-wide policies and procedures on the following:

- Code of Practice for Student Academic Honesty
- Assessment Arrangements for Students from Language Backgrounds Other Than English
- Academic Progress Rules and Procedures
- Special examinations/consideration
- Supplementary examinations
- Review of assessment procedures

Special Examinations

http://cbe.anu.edu.au/Current_Students/general_info/specexam.asp

You must contact the College Office for guidance on the procedure for special examinations for final examination. Do not approach your lecturer for this information.

Students who are unable to attend an examination for reasons outlined in the policies above, may **apply** to sit a special examination by lodging an application with the College Student Administration Office no later than 72 hours after the scheduled examination. It is important to emphasise that **travel arrangements and minor illnesses are not normally acceptable grounds for special examinations** (Section 2, College 'Special Examination Policy').

Section 7.7 of the 'Student Enrolment and Procedures Guide 2009' states:

Students must make themselves available for the duration of the examination period in order to attend any special examination that may be required.

If you know in advance of circumstances whereby you will be unable to sit the examination, you should lodge an application for a special examination as soon as possible.

The dates on which Special Examinations will be held will be published on the School website when the final timetable is published.

Applications for special examinations must be correctly completed with all original supporting documentation attached. Where an application is made on the grounds of sickness, Section B of the application **must be completed by a medical practitioner** and a detailed medical certificate stating the effect on your capacity to sit the examination is required.

The medical certificate must carry the stamp from the medical practice, and will not always be sufficient evidence.

Special examinations are **not** automatically granted. If approved, successful candidates are required to contact the relevant School Office to obtain details of the special exam. If you do not sit the examination, or your application for a special examination is declined, then you will fail the course as incomplete.

It is not grounds for a further special examination if students are not contactable and miss the scheduled examination date.

Special Consideration

If illness or other disruptive events have affected your preparation for, or performance during, an examination, you can bring this to the attention of the examiners by making a request for special consideration using the Application for Special Consideration form.

Requests for special consideration must be lodged with the relevant **School Office** before the scheduled date of the examination. However, if it relates to a problem that arose during the examination, it should be submitted immediately after the examination (see the invigilator).

Requests for special consideration must be accompanied by documentation of the illness and/or a letter setting out the reasons for the difficulties in studying for or sitting an examination. The examiners will take this into account in awarding the final grade.

Special Arrangements

If you have a disability or disorder (permanent or temporary) which makes undertaking a formal sit-down examination difficult, then **you are responsible for requesting special arrangements to be made for your examination**. In the past these arrangements have included the use of special equipment, additional time, writing breaks, a scribe (someone to write for you), etc.

Please contact the Examinations and Graduations Office early in the semester and **at least 10 days prior to the examination period**.

Failure to make appropriate arrangements for an examination may result in a subsequent application for a special examination/special consideration being declined.

Disabilities

If you have any queries about special arrangements with respect to disabilities, please refer to the Disabilities Officer. The ANU Disability Services Centre's website is at <http://www.anu.edu.au/disabilities/>.

Supplementary Examinations

<http://www.anu.edu.au/cabs/rules/ExamsRules.pdf>

In accordance with the University Examinations Rules 2009 (No. 3), you may be provided with a supplementary examination.

If you have qualified for a supplementary examination, your grade will be recorded as a PX on your Notification of Results. **You must notify the School Office, in writing (email is satisfactory), within 7 days of the official publication date of examination results to indicate your acceptance or otherwise to sit the supplementary examination.**

If you pass the supplementary examination you will receive the grade of PS (pass at supplementary examination) and a mark of 50. If you are unsuccessful, or you decide not to sit the supplementary examination, your grade will be recorded as N (fail) and your original mark will stand.

Supplementary examinations will be held early in the next semester on dates to be advised. For information regarding the timing and venues for supplementary examinations please refer to the school websites in week 2 of the current semester:

ABIS: <http://www.cbe.anu.edu.au/schools/abis/>

ECONOMICS: <http://www.cbe.anu.edu.au/schools/eco/>

FAS: <http://www.cbe.anu.edu.au/schools/fas/>

MMIB: <http://www.cbe.anu.edu.au/schools/mmib/>

Travel plans should be made accordingly as travel plans are not an acceptable reason to miss a supplementary examination.

Results and Examinations

In accordance with the University Assessment Grades/Codes, CBE applies the following scale when awarding grades:

Final Pass Grades	
HD – High Distinction	80–100
D – Distinction	70–79
CR – Credit	60–69
P – Pass	50–59
PS – Pass at supplementary examination	50
Final Fail Grades	

N – Fail	00–49
NCN – Not Completed/Fail	
WN – Withdrawn with failure	
Interim Codes (used when a result for a course has not yet been finalised)	
DA – Deferred assessment	
PX – Offered supplementary assessment	
RP – Result pending	
WA – Withheld for administrative reasons	

Results Notification

To access results students should check their ISIS accounts on the advertised date for release of examination results. After publication, students enquiring about results must provide an ANU student card as proof of identification to the Examinations, Graduations, Prizes and Timetabling Office (Building 12). For privacy reasons students should not make enquiries regarding the results of other students.

Examination Timetable – Final Examination Period

<http://timetable.anu.edu.au/>

Details of the final examination timetable are available on the ANU Timetabling website. The onus is upon students to acquire their own scheduling details.

Examination Timetable – Mid-Semester Examinations

When a mid-semester exam is scheduled, timetable information will be posted by the relevant School.

Misconduct

<http://www.anu.edu.au/cabs/rules/DisciplineRules.pdf>

In relation to an examination, misconduct on the part of a student includes:

- cheating;
- plagiarism (including the reproducing in, or submitting for assessment for, any examination, by way of copying, paraphrasing or summarizing, without acknowledgement and with the intention to deceive, any work of another person as the student's own work, with or without the knowledge or consent of that other person);
- submitting for an examination any work previously submitted for examination (except with the approval of the prescribed authority);
- failing to comply with the University's instructions to students at, or in relation to, an

- examination;
- acting, or assisting another person to act dishonestly, in or in connection with an examination; and/or
 - taking a prohibited document into an examination venue.

The administrative procedures regarding misconduct are incorporated in the ANU Discipline Rules.

Plagiarism

<http://academichonesty.anu.edu.au/>

The College regards plagiarism as any appropriation of the ideas or expressions of another without relevant and appropriate acknowledgment. This includes un-attributed appropriation of text or content and may extend to improper referencing. Plagiarism will not be tolerated in any course and all discovered instances would be pursued to the full extent allowable under the rules.

Where students have doubts as to how to deal with or acknowledge source materials in course assignments they should consult the lecturer or tutor.

The penalties and administrative procedures regarding plagiarism are incorporated in the ANU Policy on Academic Honesty.

On-line material discussing plagiarism and referencing styles is available from the Academic Skills and Learning Centre Web page (<http://www.anu.edu.au/academicskills/>).