

Finance

Ordinary degree first year

333-101 Finance 1

Note: Students who have completed 333-201 Business Finance will not be permitted to enrol in this subject.

Credit points: 12.5

Coordinator: Dr L Coleman (S1), Prof P Kofman (S2)

Contact: Two hours of lectures and a 1-hour tutorial per week (*Semester 1, repeat 2*).

Description: This subject introduces students to finance and provides them with fundamental principles and institutional knowledge to progress in the discipline. Topics include direct financing and security yields, banking and the money market, the bond and equity markets, offshore finance and foreign exchange, the behaviour of financial variables, interest rate risk management and derivative securities. These topics will be used to illustrate fundamental financial concepts such as risk, return, and present value.

Assessment: Assignments not exceeding 2000 words (20%) and a 2-hour end-of-semester examination (80%). To pass this subject, students must pass the end-of-semester examination.

Prescribed texts: B Hunt and C Terry, *Financial Institutions and Markets*, (4th edn), Nelson, Melbourne, 2004.

Second year

In addition to the individual subject prerequisites, students must have completed or gained credit for at least 75 level-1 points before they will be permitted to enrol in any of the level-2 (second year) subjects listed below.

333-201 Business Finance

Credit points: 12.5

Coordinator: A Prof H Chan (S1&S2) Dr G Aharoni (Sum)

Prerequisites: Either:

(1) 333-101 Finance 1 or

(2) An approved quantitative subject **and** an approved accounting subject. Approved quantitative subjects are: 316-130 Quantitative Methods 1, 620-121 Mathematics A (Advanced), 620-131 Scientific Programming and Simulation, 620-141 Mathematics A and 620-160 Experimental Design and Data Analysis. Approved accounting subjects are: 306-102 Accounting Concepts, 306-104 Accounting 1B and 306-108 Accounting Transactions and Analysis.

Contact: Semester 1 and 2: Two 1-hour lectures and a 1-hour tutorial per week; Summer Semester: Twenty-four hours of lectures and twelve hours of tutorials (*Semester 1, repeat 2, Summer*).

Description: Topics include basic institutional knowledge of the Australian finance sector and an introduction to the theory of pricing of risky assets, focusing on the Capital Asset Pricing Model; fundamentals of capital budgeting, including methods of allowing for inflation, and the treatment of risk; instruments of corporate funding; the theory and practice of capital structure and dividend policy decisions; and an introduction to complex financial instruments such as options and futures.

Assessment: Semesters 1 and 2: A 3-hour end-of-semester examination (70%), a 1-hour mid-semester test (20%) and periodic tutorial assignments totalling not more than 1500 words (10%).

Summer Semester: A 3-hour end-of-semester examination (80%) and two tutorial assignments totalling not more than 2000 words (20%).

Prescribed texts: G Peirson, R Brown, S Easton, P Howard and S Pinder, *Business Finance*, McGraw-Hill, (9th edn), 2005.

333-202 Management of Financial Institutions

Note: Students may not gain credit for both 333-202 Management of Financial Institutions and 333-305 Management of Financial Institutions or 306-305 Management of Financial Institutions.

Credit points: 12.5

Coordinator: Dr Harald Scheule (S1) Dr R M Brown (S2)

Prerequisites: 333-201 Business Finance.

Contact: Two hours of lectures and a 1-hour tutorial per week (*Semester 1, repeat 2*).

Description: This subject aims to develop an understanding of the unique nature of financial institutions and their role in the financial system. Topics covered include measuring performance, products and pricing, regulation, the existence or non-existence of economics of scale and scope, the risks faced by financial institutions and risk management techniques used. Topical issues such as mergers between banks are discussed.

Assessment: A 3-hour end-of-semester examination (70%) and internal assessment which may consist of an assignment and mid-semester test (30%). To pass the subject students must pass the end-of-semester examination.

333-203 Introductory Personal Finance

Note: Students may not gain credit for both 333-203 Personal Financial Management and either 333-312 Personal Financial Management or 306-312 Personal Financial Management.

Credit points: 12.5

Coordinator: Dr C Scott

Prerequisites: 333-101 Finance I or 333-201 Business Finance.

Contact: One 2-hour lecture and a 1-hour tutorial per week (*Semester 1*).

Description: This subject is aimed at students envisaging a career as a financial adviser, and also provides a basis for future personal financial decision making. The role of the human life cycle upon personal financial requirements; the role of financial advisers in constructing an appropriate personal financial policy. Alternative investment options and sources of finance (including analysis of risk and effective return), with particular attention to retirement planning and the impact of taxes and government incentives.

Assessment: A 2-hour end-of-semester examination (80%) and assignments totalling not more than 2000 words (20%).

333-207 Introduction to Real Estate Analysis

Credit points: 12.5

Coordinator: Dr C Scott (Sum) Prof R L Brown (S1)

Prerequisites: 316-101 Introductory Macroeconomics and either 333-101 Finance I or 333-201 Business Finance.

Contact: Semester One: Three hours per week; Summer Semester: thirty-six contact hours comprising twenty-four hours of lectures and twelve hours of tutorials (*Semester 1, repeat Summer*).

Description: This subject applies the financial skills acquired in Finance I to analyse investments in residential and commercial real estate. A firm understanding of real estate markets is essential to these analyses. The subject will examine the operation of the markets for owner-occupied and rental housing, the operation of markets for commercial space for retail, office and industrial uses and the mortgage market. The lectures develop answers to questions such as: What is the role of uncertainty in determining real estate prices? Do demographic changes explain trends in home ownership? Why do some retail areas succeed and others fail? Where possible, data from Australian and world markets will be used to develop the answers to these questions and to illustrate the concepts presented in the lectures.

Assessment: A 2-hour end-of-semester examination (70%) and written assignments not exceeding 3000 words (30%).

Third year

In addition to the individual subject prerequisites, students must have completed or gained credit for at least 175 level-1 and level-2 points before they will be permitted to enrol in any of the level-3 (third year) subjects listed below.

333-301 Investments

Note: Students may not gain credit for both 333-301 Investments and either 306-331 Investments or 300-334 Financial Mathematics III.

Credit points: 12.5

Coordinator: Assoc Prof J Handley(S1) Dr M Ch'ng(S2)

Prerequisites: 333-201 Business Finance and one of 316-205 Introductory Econometrics, 316-206 Quantitative Methods 2 or 620-202 Statistics.

Contact: Three hours per week (*Semester 1, repeat 2*).

Description: This subject is an introduction to investment analysis, with emphasis on equity securities and fixed interest securities. The topics covered focus on issues fundamental to financial managers, money managers, risk managers, financial advisers and regulators. These topics include fundamental ideas in asset pricing; modern portfolio theory and its applications; equilibrium theories of asset pricing; portfolio performance evaluation, empirical evidence on security returns; key issues in pricing fixed interest securities, including credit risk; theories of the term structure of interest rates; techniques in fixed interest portfolio management and the pricing of swaps and its applications.

Assessment: A 3-hour end-of-semester examination (70%). A 1-hour mid-semester test (20%). Tutorial related assessment (10%).

333-302 Corporate Finance

Note: Students may not gain credit for both 333-302 Corporate Finance and 306-309 Corporate Finance.

Credit points: 12.5

Coordinator: Dr S Pinder(S1,Sum) AssocProf H Chan(S2)

Prerequisites: 333-201 Business Finance and one of 316-205 Introductory Econometrics, 316-206 Quantitative Methods 2 or 620-202 Statistics.

Contact: Semesters 1 and 2: Three hours per week; Summer Semester: Twenty-four hours of lectures and twelve hours of tutorials (*Semester 1, repeat 2, Summer*).

Description: This subject extends the analysis of capital budgeting, capital structure, dividend policy and corporate risk management to the treatment in business finance. Topics include the effect of the dividend imputation system of taxation on dividend policy, capital structure and capital budgeting; a comprehensive analysis of corporate acquisitions and restructuring; a detailed examination of alternative funding mechanisms including leases and hybrid securities; and a discussion of current issues of interest in Australian corporate finance.

Assessment: A 3-hour end-of-semester examination (70%). A 1-hour mid-semester test (20%). Tutorial related assessment (10%).

333-303 International Finance

Note: Students may not gain credit for both 333-303 International Finance and 306-311 International Finance.

Credit points: 12.5

Coordinator: AssocProf A Lamba(S1) Prof R L Brown(S2)

Prerequisites: 333-201 Business Finance and one of 316-205 Introductory Econometrics, 316-206 Quantitative Methods 2 or 620-202 Statistics.

Contact: One 2-hour lecture and one 1-hour tutorial per week (*Semester 1, repeat 2*).

Description: Topics include concepts, operation and terminology of foreign exchange markets; international investment decision making; sources of and approaches to dealing with foreign exchange exposure; political risk; and international funding mechanisms and decision making in multinational business organisations.

Assessment: A 3-hour end-of-semester examination (70%), a mid-semester examination (15%) and assignment(s) totalling not more than 2000 words (15%). Satisfactory completion of this subject requires a 50% pass in the end-of-semester examination.

333-304 Asian Capital Markets

Note: Students may not gain credit for both 333-304 Asian Capital Markets and 306-314 Asian Capital Markets.

Credit points: 12.5

Coordinator: Assoc Prof K Sawyer

Prerequisites: 333-201 Business Finance and one of 316-205 Introductory Econometrics, 316-206 Quantitative Methods 2 or 620-202 Statistics.

Contact: One 2-hour lecture and one 1-hour tutorial per week (*Semester 2*).

Description: This subject introduces the study of exchange, equity, derivative and bond markets, macroeconomic settings and corporate valuations across the Asia region with specific reference to individual countries. Some seminar presentations will be given.

Assessment: A 3-hour end-of-semester examination (70%) and assignments totalling not more than 3000 words (30%).

333-307 Real Estate Finance

Credit points: 12.5

Coordinator: Dr C Scott

Prerequisites: 333-201 Business Finance and 333-207 Introduction to Real Estate Analysis.

Contact: Three hours per week (*Semester 2*).

Description: Real estate is the largest asset class in the investment universe. It consists of everything from the single-family home to real estate-backed derivative products. This course introduces the specialized financial principles needed for portfolio and investment decisions for this diverse asset class. The subject will focus on understanding the primary sources of value in real estate based investments and on assessing the risks to this value. Potential topics include techniques in real estate financing, capital structure in residential and commercial real estate markets, innovations in real estate financing, contingent claims and real options in real estate markets, lease contracts and the valuation of options imbedded in real estate backed assets.

Assessment: A 2-hour end-of-semester examination (50%) and assignments totalling not more than 5000 words (50%).

333-308 Entrepreneurial Finance

Credit points: 12.5

Coordinator: Dr A Gyga

Prerequisites: 333-201 Business Finance plus one of: 316-205 Introductory Econometrics, 316-206 Quantitative Methods 2 and 620-202 Statistics.

Contact: Three hours of lectures/seminars per week (*Semester 1*).

Description: Issues associated with financing entrepreneurial ventures, and the valuation and investment issues associated with new ventures. Major topics include investment analysis, financing the new venture, harvesting, and renewal in the entrepreneurial firm. The subject covers entrepreneurial finance, venture capital and general principles of investing in high (biotechnology, nanotechnology, information technology, e-business) and low technology.

Assessment: A 2-hour end-of-semester examination (50%) and written assignments totalling not more than 5000 words, with associated oral presentations (50%).

333-309 Derivative Securities

Credit points: 12.5

Coordinator: Assoc Prof J Handley

Prerequisites: 333-201 Business Finance and one of 316-205 Introductory Econometrics, 316-206 Quantitative Methods 2 or 620-202 Statistics.

Contact: Two 1-hour lectures and a 1-hour tutorial per week; Summer semester: Twenty-four hours of lectures and twelve hours of tutorials (*Semester 1, repeat 2, Summer*).

Description: Futures and forwards: the mechanics of trading, price determination, hedging strategies. Swaps: definition and valuation. Options: payoffs, arbitrage bounds, trading strategies, the binomial model, the Black-Scholes model and its relationship to the binomial, hedging, American options and dividends, options on futures, limitations of the binomial and Black-Scholes Models.

Assessment: A 3-hour end-of-semester examination (70%) and a 1-hour mid-semester test (30%).

Prescribed texts: J C Hull, *Fundamentals of Futures and Options Markets*, (4th edn).

333-310 Intermediate Personal Finance

Credit points: 12.5

Coordinator: Dr C Scott

Prerequisites: 333-203 Introductory Personal Finance and 333-201 Business Finance.

Contact: Two hours of lectures and a 1-hour tutorial per week (*Semester 2*).

Description: This subject builds on the topics of its pre-requisite, examining the more complex aspects involved. These topics include investment principles, the regulatory environment, financial markets, social security, superannuation, retirement planning, estate planning, taxation issues, risk management, leveraged investments and property investment.

Assessment: A 2-hour end-of-semester exam (70%) and two 1500-word assignments (15% each).

Fourth-year honours

The following subjects are available only to those admitted to the honours degree unless special approval is granted by the Head of the Department of Finance.

333-401 Advanced Corporate Finance

Credit points: 12.5

Coordinator: Prof B Grundy

Prerequisites: 333-302 Corporate Finance.

Contact: One 3-hour seminar per week (*Semester 2*).

Description: This subject introduces a study of recent literature in a number of areas of financial management. Topics include real options, mergers and acquisitions, capital structure decisions, dividend policy, security analysis and design, and corporate hedging.

Assessment: A 3-hour end-of-semester examination (70%) and assignments totalling not more than 3000 words (30%).

333-402 Advanced Investments

Credit points: 12.5

Coordinator: Assoc Prof K Sawyer

Prerequisites: 333-301 Investments.

Contact: Three hours of lectures and seminars per week (*Semester 1*).

Description: The principles and techniques of security pricing with particular emphasis on the latest research are examined. Topics include valuation, market microstructure, funds performance, initial public offerings, and asset pricing.

Assessment: A 3-hour end-of-semester examination (70%), assignments totalling not more than 5000 words and seminar presentations (30%).

333-403 Numerical Techniques in Finance

Credit points: 12.5

Coordinator: Dr I O'Connor

Prerequisites: 333-301 Investments.

Contact: Three hours of lectures and workshops per week (*Semester 1*).

Description: Numerical techniques focuses on the theory and application of numerical methods for solving financial problems. The applications may include option valuation, value at risk, term structure modelling, portfolio simulation and optimisation and capital budgeting. These applications motivate the study of matrix methods, the solutions of linear and nonlinear equations, interpolation and approximation methods, numerical integration and Monte Carlo methods. No prior programming experience is required as the principles of programming are covered.

Assessment: A 3-hour end-of-semester examination (50%) and assignments totalling not more than 5000 words (50%).

333-404 Research Methods in Finance

Credit points: 12.5

Coordinator: Prof P Kofman

Prerequisites: 333-302 Corporate Finance and 333-301 Investments.

Contact: One 3-hour seminar per week (*Semester 1*).

Description: This course provides students with an understanding of issues involved in the design and conduct of empirical research in finance (including the application of statistical and econometric techniques) by examination of recent seminal published work in selected areas of the finance discipline. In doing so, it aims to help students develop a critical perspective on the development of the academic finance discipline and its contribution to the practice of finance.

Assessment: A 3-hour end-of-semester examination (60%) and written assignments totalling not more than 4000 words (40%).

333-405 Risk Strategies

Credit points: 12.5

Coordinator: Dr L Coleman

Prerequisites: 333-302 Corporate Finance.

Contact: One three-hour seminar per week (*Semester 2*).

Description: This subject applies modern financial techniques to the management of diversifiable risks. These techniques include hedging, real options, portfolio design, swaps and leverage; and are combined with concepts such as corporate behavioural finance and utility functions. This enables students to develop quantitative measures of diversifiable, or business, risks and manage them effectively. The aim is to provide a comprehensive theoretical understanding of the nature and sources of diversifiable risks - financial risk strategy - so that these risks can be leveraged strategically.

Assessment: A group seminar presentation (10%), individual written assignment of not more than 2000 words (20%) and three hour end of semester exam (70%).

333-410 Finance Research Essay

Credit points: 25

Coordinator: Dr I O'Connor

Semester: Semester 2

Description: The topic must be approved by the Head of the Department of Finance. The length of the essay, which must be determined in part by the subject matter, should not exceed 10 000 words.

Assessment: The research essay itself is examined. A draft is due for submission on the second Monday of October, the final version on the second Monday of November.

