Course Outline 2019
FINANCE 261: INTRODUCTION TO INVESTMENTS (15 POINTS)
Semester 2 (1195)

Course prescription
This course examines markets for shares, fixed income securities, options and futures; methods of valuing shares, fixed income securities, options, and futures; simple techniques of hedging risk; portfolio diversification and evaluation.

The course focuses on investment decision making from the point of view of the individual investor both from a theoretical and practical perspective. Specific content includes a description of the equity market; concepts of risk and return, pricing of shares based on the capital asset pricing model, diversification and optimal portfolio formation; valuation and management of fixed income securities and an introduction to option and futures contracts and their use in hedging risk.

Course advice
Prerequisite: FINANCE 251, or 180 points in a BSc major in Mathematics or Statistics with a GPA of at least 5 and at least a B in MATHS 150 or 153

Goals of the course
To provide students with a good understanding of the operation of security markets, the main types of securities traded in them and the theory, concepts and models underlying investment analysis and management in preparation for more advanced study.
Learning outcomes (LO)

<table>
<thead>
<tr>
<th>#</th>
<th>Learning outcome</th>
<th>Graduate profile capability*</th>
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</thead>
</table>
| LO1 | Describe and understand the function of the major financial markets               | 1. Disciplinary knowledge and practice  
|     |                                                                                 | 2. Critical thinking                 |
| LO2 | Demonstrate knowledge of the theories underpinning risk and return for individual securities and portfolios | 1. Disciplinary knowledge and practice 
|     |                                                                                 | 2. Critical thinking                 |
| LO3 | Demonstrate knowledge of the basics of the capital asset pricing and market models, and bond management principles and theory | 1. Disciplinary knowledge and practice 
|     |                                                                                 | 2. Critical thinking                 |
| LO4 | Understand the functioning of options and futures and basic principles of pricing and risk management | 1. Disciplinary knowledge and practice 
|     |                                                                                 | 2. Critical thinking                 |
| LO5 | Develop the ability to independently reason out investment issues and thus be better prepared when making real world investment decisions | 1. Disciplinary knowledge and practice 
|     |                                                                                 | 2. Critical thinking                 
|     |                                                                                 | 3. Solution seeking                  |
| LO6 | Effectively use written communication in the context of financial analysis.       | 1. Disciplinary knowledge and practice 
|     |                                                                                 | 4b. Communication (Written)          |

* See the graduate profile this course belongs to at the end of this course outline.
<table>
<thead>
<tr>
<th>Week / Module</th>
<th>Topic</th>
<th>Relevant learning resources/activities</th>
<th>Assessment due this period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week 1</td>
<td>Math/Stats review</td>
<td>Handout: Review</td>
<td></td>
</tr>
<tr>
<td>Week 2</td>
<td>Introduction, Investment alternatives</td>
<td>Text: Ch. 1, 2 Handout: Set 1</td>
<td>Quiz 1</td>
</tr>
<tr>
<td>Week 3</td>
<td>Security markets, measuring returns, and portfolio theory</td>
<td>Text: Ch. 3, 4, 5 Handout: Set 2, 3, 4</td>
<td></td>
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<tr>
<td>Week 4</td>
<td>Portfolio theory and diversification</td>
<td>Text: Ch. 5, 6 Handout: Set 4, 5</td>
<td>Quiz 2</td>
</tr>
<tr>
<td>Week 5</td>
<td>Capital market theory and capital market pricing model</td>
<td>Text: Ch. 6, 7 Handout: Set 5, 6</td>
<td></td>
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<tr>
<td>Week 6</td>
<td>Capital market pricing and beta estimation</td>
<td>Text: Ch. 7 Handout: Set 7</td>
<td>Quiz 3 Assignment 1</td>
</tr>
<tr>
<td>Week 7</td>
<td>Index model, performance evaluation</td>
<td>Text: Ch. 7, 18 Handout: Set 7, 8</td>
<td>Mid-term test, Wednesday, 12 September</td>
</tr>
<tr>
<td>Week 8</td>
<td>Bond pricing and duration</td>
<td>Text: Ch. 10, 11 Handout: Set 9</td>
<td>Quiz 4</td>
</tr>
<tr>
<td>Week 9</td>
<td>Term structure, options basic strategy</td>
<td>Text: Ch. 11, 15 Handout: Set 9, 10</td>
<td></td>
</tr>
<tr>
<td>Week 10</td>
<td>Option pricing, futures markets</td>
<td>Text: Ch. 16, 17 Handout: Set 10, 11</td>
<td>Quiz 5</td>
</tr>
<tr>
<td>Week 11</td>
<td>Futures markets, market efficiency</td>
<td>Text: Ch. 17, 8 Handout: set 11, 12</td>
<td>Assignment 2</td>
</tr>
<tr>
<td>Week 12</td>
<td>Evaluation of market efficiency, revision</td>
<td>Text: Ch. 8, 9 Handout: Set 12</td>
<td>Quiz 6</td>
</tr>
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</table>
Learning and teaching
This course is taught on the city campus. The class size is anticipated to be large. To achieve the outcomes outlined above a variety of teaching approaches will be utilized including lectures, a help desk for student queries, tutorials, discussion of practical examples and current issues, on-line quizzes, and written assignments.

1. Lectures
   Monday 4 – 5pm 260-073
   Tuesday 1 – 2pm 260-092
   Wednesday 1 – 2pm 260-092
   It is assumed that students attend lectures.

2. Workshops (from Week 2)
   Friday 4 – 5pm 260-051

3. Lecture recording
   Lectures will be recorded and links to the recordings will be posted on Canvas. Although best effort will be made, there is no guarantee as to the integrity of lecture recordings. In the past, some lectures were not recorded due to operator or equipment errors. Relying solely on lecture recording without attending lectures is strongly advised against.

Teaching staff
Lecturer: Dr John Lee
Office hours: Monday 3-4pm, Tuesday 3-4pm, Wednesday 3-4pm, or by appointment
Office: OGGB 5105
Email: byong.lee@auckland.ac.nz

Tutor: Brianna Wang
Help Desk: Location TBC
Help Desk Hours: TBC (appointment needed)
Email: b.wang@auckland.ac.nz
Learning resources

**Prescribed text**
The text website contains learning resources. It is recommended that you use these to familiarize yourself with course materials and to provide additional worked examples. See [www.mhhe.com/bkm](http://www.mhhe.com/bkm).
The library will have copies of the text on short loan.

**Financial calculator**
A financial calculator capable of calculating an IRR (or a yield of a bond), exponentials, and natural logs is required for the course. Illustrations in class will be based on HP 10BII (or 10BII+).

**Lecture handouts and readings**
Lecture notes and handouts will be posted on Canvas. Students will need to print out relevant handouts before each class.

**Canvas resources**
Other course-related materials – for example, assignment questions, tutorial materials, practice set problems, and previous tests and final exams – will also be posted on Canvas.

**Assessment information**

<table>
<thead>
<tr>
<th>Assessment task</th>
<th>Weight %</th>
<th>Group and/or individual</th>
<th>Submission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quizzes</td>
<td>10%</td>
<td>Individual</td>
<td>Canvas</td>
</tr>
<tr>
<td>Assignment 1</td>
<td>5%</td>
<td>Individual</td>
<td>Hard copy</td>
</tr>
<tr>
<td>Assignment 2</td>
<td>5%</td>
<td>Individual</td>
<td>Hard copy</td>
</tr>
<tr>
<td>Mid-term test</td>
<td>20%</td>
<td>Individual</td>
<td>Test venue</td>
</tr>
<tr>
<td>Final exam</td>
<td>60%</td>
<td>Individual</td>
<td>Exam venue</td>
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</table>
**Assignments**

All assignments must be completed. The date and cut-off time for handing in will be shown on the assignment.

No late or e-mailed assignments will be accepted. If you are unable to complete an assignment on time due to illness or for compassionate reasons, please obtain a medical certificate and discuss an appropriate extension with the lecturer.

**Quizzes**

There will be six fortnightly quizzes. All the quizzes consist of five questions to be completed on Canvas. Five best marks out of six will count towards your final grade. Only one (continuous) attempt will be allowed so please make sure that you have 30 minutes of uninterrupted time and internet connection before starting a quiz.

**Mid-term test**

The mid-term test is a one-hour closed-book all-multiple-choice test. Venues and coverage will be announced later.

An implicit agreement within the university is that the smaller class makes necessary arrangements for a timetable clash. Please report a timetable clash in advance if you are sure that the other class is bigger (e.g., first stage or second stage course with a bigger class size). An early or late test will be given for those affected by a timetable clash. After receiving all timetable clashes, the department manager will book a room and contact the students a few days before the test.

Any queries regarding the test questions should be made within one-week after the answers are posted on Canvas. No correction will be made after the graded tests are handed back via the Assignment Distribution Centre except for simple addition errors. Addition errors do happen. Please keep your test.

Aegrotat issues, if possible, should be reported to the university examinations office (+64 9 923 5776 or email exams@auckland.ac.nz). With an approval from the examinations office, the 20% test weight will be moved to the final examination.

**Final examination**

The final is a 2-hour closed-book cumulative exam that covers the whole course. It will consist of long-answer type questions. Where written responses are required, answers must be written in good English. Text message format is not acceptable and will not be graded.

The university will handle aegrotat issues for the final; any concerns should be brought to the university.

**Pass requirements**

An overall course grade of 50%. Students must normally obtain a passing grade in the final exam in order to pass the course.
Description of assessment tasks

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<tr>
<th>Assessment task</th>
<th>Learning outcome to be assessed</th>
</tr>
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<tbody>
<tr>
<td><strong>Quizzes:</strong> Each 30-minute long on-line quiz will consist of five questions on teaching materials covered in the previous two weeks.</td>
<td>LO1, LO2, LO3, LO4, and LO5</td>
</tr>
<tr>
<td><strong>Assignment 1:</strong> In this assignment you will solve numerical questions on the topics covered in the first half of the semester. You will be also required to collect stock market data and perform basic data analysis using Excel.</td>
<td>LO1, LO2, LO3, and LO6</td>
</tr>
<tr>
<td><strong>Assignment 2:</strong> In this assignment you will solve numerical questions on the topics covered in the second half of the semester. You will be also required to collect stock market data and perform basic data analysis using Excel.</td>
<td>LO3, LO4, LO5, and LO6</td>
</tr>
<tr>
<td><strong>Mid-term test:</strong> The midterm test will cover all material covered in the first six weeks. Most questions will require a mix of financial problem solving, applied calculation and the interpretation of results.</td>
<td>LO1, LO2, and LO3</td>
</tr>
<tr>
<td><strong>Final Exam:</strong> The final exam will be on everything covered in the course. Most questions will require a mix of financial problem solving, applied calculation and the interpretation of results.</td>
<td>LO1, LO2, LO3, LO4, LO5, and LO6</td>
</tr>
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</table>

Inclusive learning

Students are urged to discuss privately any impairment-related requirements face-to-face and/or in written form with the courses convenor/lecturer and/or tutor.

Academic integrity

The University of Auckland will not tolerate cheating, or assisting others to cheat, and views cheating in coursework as a serious academic offence. The work that a student submits for grading must be the student’s own work, reflecting his or her learning. Where work from other sources is used, it must be properly acknowledged and referenced. This requirement also applies to sources on the worldwide web. A student’s assessed work may be reviewed against electronic source material using computerised detection to provide an electronic version of their work for computerised review.

Student feedback

We regularly seek feedback from students in order to shape and improve this and all courses on the programme. Students will be asked to complete course and teaching evaluations at the end of the course. In addition, each course will seek volunteers to serve as class reps.

In the event of an unexpected disruption

We undertake to maintain the continuity and standard of teaching and learning in all your courses throughout the year. If there are unexpected disruptions, the University has contingency plans to ensure that access to your course continues and your assessment is fair, and not compromised. Some adjustments may need to be made in emergencies. In the event of a disruption, the University and your course coordinators will make every effort to provide you with up to date information via Canvas and the University website.
Graduate profile for Bachelor of Commerce

The following six themes represent the capabilities that the Business School seeks to foster in all of its graduates. The development of these capabilities does not come all at once, but rather is expected to build from year to year. Each course is not expected to contribute to all capabilities, but each course will have its own goals and learning outcomes that relate to the overall development of this profile.

<table>
<thead>
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| **Disciplinary knowledge and practice**  
Graduates will be able to demonstrate and apply a breadth of knowledge across disciplines, as well as specialist knowledge within one or more of them, while recognising the relevancy of this knowledge within a global context. |
| **Critical thinking**  
Graduates will be able to analyse and critique theory and practice to develop well-reasoned arguments. |
| **Solution seeking**  
Graduates will be able to identify and frame problems using analytical skills to create and evaluate innovative solutions. |
| **Communication and engagement**  
Graduates will be able to collaborate and communicate effectively in diverse contexts using multiple formats. |
| **Independence and integrity**  
Graduates will be able to respond professionally and ethically, demonstrating a capacity for independent thought and learning. |
| **Social and environmental responsibility**  
Graduates will recognise the significance of the principles underpinning the Treaty of Waitangi and consider their obligations in relation to sustainability, whilst displaying constructive approaches to diversity. |

Note that if you are enrolled in a conjoint degree, you should also engage with the Graduate Profile for your other degree programme.