Unit Outline*

FINA3324
Investment Analysis

Semester 1, 2011
Crawley Campus

Unit Coordinator: Winthrop Professor Raymond da Silva Rosa

Business School
www.business.uwa.edu.au

* This Unit Outline should be read in conjunction with the Business School Unit Outline Supplement available on the Current Students web site http://www.business.uwa.edu.au/students
UNIT DESCRIPTION

Introduction
By Winthrop Professor Raymond da Silva Rosa, Head of Accounting & Finance

Investment Analysis is a unit I look forward to delivering. The subject is both thought provoking and rich with material that has immediate, obvious relevance to decision making by managers and individual investors. What makes Investment Analysis stimulating is that there are both well developed theoretical constructs that have practical utility and also vigorously contested “live issues”, such as the pervasiveness of market efficiency, that have implications beyond the investment arena. If you engage with the material, my expectation is that you will develop a distinctive and highly practical “intellectual lens” to evaluate investments and to analyse broader contemporary phenomena such as the global financial crisis.

Unit content
The content and style of delivery of Investments Analysis is designed to develop understanding of, and practice in applying, core concepts in finance that facilitate better investment decisions.

The following concepts are among the principal ones addressed in Investment Analysis:

- Role of financial markets
- Rates of investment return
- Risk and return
- Portfolio theory
- Asset pricing models
- Efficient markets
- Behavioural finance
- Fixed income securities
- Options (including real options) and futures

Learning outcomes
On completion of this unit, you should:

- Be familiar with the principal features of the Australian financial landscape in Australia and its relevance to the range of investments available to investors.
- Be able to identify the strengths & weaknesses of different measures of investment performance.
- Understand the basis of the capital asset pricing model (CAPM) and its relevance to constructing an investment portfolio.
- Understand the relationship between risk and return and why it can be difficult to estimate risk.
- Be able to critically evaluate the empirical evidence on the Efficient Markets Hypothesis and understand the implications of this evidence for investment decisions.
- Be familiar with the principal tenets of Behavioral Finance and their implications for investments.
- Have a perspective on the fundamental causes of the global financial crisis.
- Know the elements and relevance of industry analysis and equity valuation.
- Be able to evaluate portfolio performance and identify important issues in portfolio management.
- Be able to describe the relationships between bond prices, yields and the term structure of interest rates and the implications for investment returns.
- Know how options markets work; how options are used and the risks they pose.
Prerequisites
FINA2221 Introduction to Finance or equivalent

TEACHING AND LEARNING RESPONSIBILITIES

Teaching and learning evaluation
You may be asked to complete two evaluations during this unit. The Student Perception of Teaching (SPOT) and the Students' Unit Reflective Feedback (SURF). The SPOT is optional and is an evaluation of the lecturer and the unit. The SURF is completed online and is a university wide survey and deals only with the unit. You will receive an email from the SURF office inviting you to complete the SURF when it is activated. We encourage you to complete the forms as your feedback is extremely important and can be used to make changes to the unit or lecturing style when appropriate.

Attendance and participation
Participation in class, whether it be listening to a lecture or getting involved in other activities, is an important part of the learning process, therefore it is important that you attend classes. More formally, the University regulations state that 'to complete a course or unit students shall attend prescribed classes, lectures, seminars and tutorials'. Lectures, tutorials and exams are the prescribed components of FINA3324.

Lecture notes will not be provided. A brief outline of the coming week’s lecture which will include any problem sets to be discussed during the lecture will be made available online by 5 pm the preceding Friday. You should bring this outline to the lecture.

Lectures will be recorded and available for review. The slides shown during each lecture will be made available online at the conclusion of the second lecture stream.

Lecture Schedule:
Lecture Stream One: Monday 9am to 10:45am Wesfarmers LT (Business School Bldg – G.130)

Lecture Stream Two (repeat of one): Monday 3pm to 4:45pm Social Science LT (Social Sciences Bldg – G.91)

Tutorials: There will be one tutorial per week, commencing in the second week. You may be introduced to material in tutorials that has not been covered in lectures. All material in lectures, tutorials and assigned readings is examinable. Solutions to assigned tutorial questions that require a quantitative answer will be posted online. Answers to questions requiring a qualitative response will not be posted online. The mid-semester and final exams will include both kinds of questions. The material (including questions and discussion topics) covered in each tutorial will be posted online at least one week in advance of each tutorial.
CONTACT DETAILS

We strongly advise students to regularly access their student email accounts. Important information regarding the unit is often communicated by email and will not be automatically forwarded to private email addresses.

<table>
<thead>
<tr>
<th>Unit coordinator/lecturer</th>
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<tbody>
<tr>
<td><strong>Name:</strong></td>
<td>Raymond da Silva Rosa</td>
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<tr>
<td><strong>Email:</strong></td>
<td><a href="mailto:Ray.dasilvarosa@uwa.edu.au">Ray.dasilvarosa@uwa.edu.au</a></td>
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<tr>
<td><strong>Phone:</strong></td>
<td>6488 2974</td>
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For all queries, please contact

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<tr>
<th>Senior Tutor</th>
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<tr>
<td><strong>Name:</strong></td>
<td>Shaun Singh</td>
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<tr>
<td><strong>Email:</strong></td>
<td><a href="mailto:shaun.singh@uwa.edu.au">shaun.singh@uwa.edu.au</a></td>
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TEXTBOOK(S) AND RESOURCES

Unit website

http://www.webct.uwa.edu.au

Recommended/required text(s)

Investment Analysis  Customised for FINA4424 RRP $102.95 nett (available at Co-Op Bookshop)

This customized text includes the first four chapters from “Investments” by Bodie, Ariff, Da Silva Rosa, Kane & Marcus, 2007 1st Australian edition and 15 chapters from the 2010 9th edition of “Investments” by Bodie, Kane & Marcus. The adjective “required” means that you need ready, convenient access to the textbook through the semester. Purchasing the text best facilitates access.

Referencing

It is important that the referencing of any sources used in your written work is done properly. The Harvard style is the preferred and there are some notes for guidance which have been prepared by the Library: ‘Citing your Sources Harvard Style’

www.library.uwa.edu.au/education_training__and__support/guides/how_to_cite_your_sources/citing_your_sources_-_harvard_style

EndNote is a good system for building up a database of references. You should consider it if you plan to undertake extensive research in a particular area. The Library has also developed a tutoring package: ‘A Quick Guide to Using EndNote’ which provides the basics for using EndNote with an essay:

http://www.library.uwa.edu.au/education_training__and__support/guides/endnote

This is linked to the ‘How to Use EndNote’ page that provides more comprehensive information:

http://www.library.uwa.edu.au/education_training__and__support/guides/endnote/endnote_manu als
<table>
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<tr>
<th>Week</th>
<th>Monday Lecture</th>
<th>Topic</th>
<th>Chapter Coverage (chapters as labelled in text)</th>
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<tbody>
<tr>
<td>1</td>
<td>28 February</td>
<td>Introduction &amp; unit overview; The investment environment</td>
<td>Ch.s 1 through 4</td>
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<tr>
<td>2</td>
<td>7 March</td>
<td>Risk and return; Issues in calculating rates of return; Optimal risky portfolios; Illiquidity</td>
<td>Ch.s 5 and 7</td>
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<tr>
<td>3</td>
<td>14 March</td>
<td>Portfolio theory and the capital asset pricing model (CAPM); International diversification</td>
<td>Chs. 9 &amp; 25</td>
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<td>4</td>
<td>21 March</td>
<td>Efficient market hypothesis &amp; evidence</td>
<td>Ch 11 and 13</td>
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<td>5</td>
<td>28 March</td>
<td>Behavioural finance</td>
<td>Ch. 12</td>
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<td>6</td>
<td>4 April</td>
<td>Global financial crisis: Issues and evidence</td>
<td>Readings to be posted online</td>
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<td>7</td>
<td>11 April</td>
<td>Industry Analysis</td>
<td>Ch. 17</td>
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**Wed 13 April Mid-Semester Test 6:00 pm to 8:30 pm (weeks 1 to 6)**

| 8    | 18 April             | Equity valuation models                                             | Ch. 18                                           |

**Non-Teaching Study Break**

| 9    | 2 May                | Fixed income securities                                             | Ch 14 & 15                                       |
| 10   | 9 May                | Fixed income securities                                             | Ch. 16                                           |

**11 May Group Assignment Submission Deadline: 12 noon at www.uniprint.uwa.edu.au**

| 11   | 16 May               | Options and Futures                                                 | Ch.s 20 & 21                                     |
| 12   | 23 May               | Options & Futures (cont’d); Portfolio performance evaluation        | Ch. 24                                           |
| 13   | 30 May               | Review of whole unit                                                |                                                  |
ASSESSMENT MECHANISM

The purpose of assessment

There are a number of reasons for having assessable tasks as part of an academic program. The assessable tasks are designed to encourage you to explore and understand the subject more fully. The fact that we grade your work provides you an indication of how much you have achieved. Providing feedback on your work also serves as part of the learning process.

Assessment mechanism summary

<table>
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<tr>
<th>Item</th>
<th>Weight</th>
<th>Due date</th>
<th>Remarks</th>
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<tr>
<td>Mid-Semester Exam:</td>
<td>30%</td>
<td>Wed 13 April Mid-Semester Test 6:00 pm to 8:30 pm (material covered: weeks 1 to 6 inclusive)</td>
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<td>Final Exam:</td>
<td>50%</td>
<td>Date to be advised. Material covered will be principally from weeks 7 onwards. Some of this material builds on work covered prior to week 7 so that work will be tested as well, if only indirectly.</td>
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<td>Group Assignment:</td>
<td>15%</td>
<td>Electronic submission, by 12 noon on Wed 11 May Minimum of three and maximum of four persons per group</td>
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<td>Tutorial participation:</td>
<td>5%</td>
<td>Marks awarded for participation as well as attendance</td>
<td>Students failing to attend at least seven tutorials for the unit will receive a zero mark for their tutorial participation.</td>
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Note 1: Results may be subject to scaling and standardisation under faculty policy and are not necessarily the sum of the component parts.

Note 2: Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning outcomes as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of Business School programs. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the unit.

Supplementary exams are not available in this unit.

Approved calculators for examinations

The University only permits the use of calculators in examinations when the calculator has an approved sticker. If the student does not have an approved sticker on their calculator, they will not be permitted to use the calculator. Since this is a University wide policy it is not possible for unit coordinators to grant on the spot exemptions. Calculators can be approved at the Business School Postgraduate Student Centre. Further information is available on the Business School web site, see http://www.business.uwa.edu.au/studentnet/assessments.
Submission of assignments

Please remember to attach an Assignment Cover Sheet to the front of your assignment. You can download and print your Assignment Cover Sheet from the Current Students web page http://www.business.uwa.edu.au/students/assessments

In first semester 2011, a new system for submitting assignments has been introduced. Assignments are to be submitted via the web. The School will then have them printed by Uniprint and delivered to the relevant administration teams for distribution to the assignment markers.

Submit your assignment in an electronic format by going to the Uniprint web site www.uniprint.uwa.edu.au then click on “Student Assignments” and follow the instructions.

Late assignments will attract a penalty of 5% per day. Contact the lecturer-in-charge if you miss the submission deadline as you will not be allowed to submit electronically. Papers of excessive length will also attract a penalty. The penalty will be 5% for each 300 words, or part thereof, over the word limit.

Student Guild

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E-mail: enquiries@guild.uwa.edu.au
Website: http://www.guild.uwa.edu.au

Charter of Student Rights and Responsibilities


Appeals against academic assessment

The University provides the opportunity for students to lodge an appeal against assessment results and/or progress status (refer http://www.secretariat.uwa.edu.au/home/policies/appeals).