Unit Outline*

FINA8632

Investments

Semester 2, 2011
Crawley

Mr John King

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
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UNIT DESCRIPTION

Introduction
Welcome to Investments.

Unit content
The following concepts are among the principal ones addressed in Investments:
• Why invest?
• What is investing?
• Rates of investment return
• Risk and return
• Portfolio theory
• Equity and debt investments
• Types of investment assets, and their characteristics
• Investing vs speculating and trading
• Behavioural finance
• Options, futures and other derivative securities
• Portfolio evaluation and management.

The goal of the unit
The broad goal of the unit is for you to understand the core concepts of investing, so as to be able develop and implement an investment plan which achieves the goals of the investor.

Learning outcomes
On completion of this unit, you should be able to:

1. Develop investment goals;
2. Analyse investment opportunities;
3. Implement an investment portfolio to achieve investment goals;

Assessment takes the form of: Readiness Assurance Tests (RATs); class preparation and participation; a group assignment; and a final exam. The topics are interrelated and build on each other. The RATs ensure students build the required knowledge throughout the duration of the unit.

Educational principles and graduate attributes
In this unit, you will be encouraged and facilitated to develop the ability and desire to:

• Critically evaluate investment opportunities;
• Develop more effective communication skills through seminar and small group discussions; and
• Demonstrate self-management and independent learning skills through the completion of the individual assignment.

Prerequisites
ACCT8432 Introductory Financial Accounting and (MGMT8530 Managerial Finance or FINA8432 Introduction to Finance). In addition, it is assumed that students have an operational efficiency in Excel or another spreadsheet program and have a reasonable proficiency in mathematics and statistics.
TEACHING AND LEARNING RESPONSIBILITIES

Teaching and learning strategies

Learning in this unit is achieved by a combination of lectures, problems and discussion questions. The lectures cover the relevant theory and discuss the practical application of the theory.

Problems and discussion questions are integrated into the seminars. These are designed to enhance your understanding of the theory and your ability to apply it to problem solving in finance.

The assignment provides an opportunity to apply and further develop knowledge and skills learnt in the unit in a more realistic context than is typically provided via the above problems. It is also designed to develop and assess generic skills; in particular data analysis, problem solving and communication skills.

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

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’. Where a student, due to exceptional circumstances, is unable to attend a scheduled class, they are required to obtain prior approval of the unit coordinator to be absent from that class. Any student absent from class without having had such absence approved by the unit coordinator may be referred to the faculty for advice and may be required to withdraw from the unit.

Investments is designed to be more interactive than the usual finance class. For the seminar to work effectively it is essential that everyone attends and actively participates in the discussions.
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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</tr>
</thead>
<tbody>
<tr>
<td><strong>Name:</strong></td>
<td>John King</td>
</tr>
<tr>
<td><strong>Email:</strong></td>
<td><a href="mailto:john@ajk.com.au">john@ajk.com.au</a></td>
</tr>
<tr>
<td><strong>Phone:</strong></td>
<td>0411 227 437</td>
</tr>
<tr>
<td><strong>Consultation hours:</strong></td>
<td>By Appointment</td>
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<tr>
<td></td>
<td>Available by email anytime</td>
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<tr>
<td><strong>Lecture times:</strong></td>
<td>Tuesday 5.00pm – 8.00pm</td>
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<td><strong>Lecture venue:</strong></td>
<td>ZOO:LT</td>
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</table>

Lecturer Details

**John King**  BCom W.Aust, MBA Chicago, FCA, FCPA


John has taught accounting and finance courses at undergraduate, postgraduate and MBA levels for over thirty years in Australia, US and Canada. He has made numerous presentations to professional and trade organisations, covering the areas of Investment Strategy and Analysis, Financial Performance, Risk Management and Business Strategies to significantly improve financial performance. Executive programs on Investments, Corporate Finance, Financial Analysis, and Strategic Thinking have been run for the Institute of Chartered Accountants and CPA Australia for many years, with consistently excellent participant evaluations.

John is a Fellow of The Institute of Chartered Accountants in Australia, and a Fellow of CPA Australia.

John has been Chief Financial Officer in banking, insurance, resources and retailing. In over eighteen years of consulting, he has worked with major Australian and international companies, and government, to improve financial outcomes.

John majored in Finance and Investments at the University of Chicago, at a time when the many of world’s leading Finance academics were at Chicago.
TEXTBOOK(S) AND RESOURCES

Unit website

Unit support materials are available in WebCT: http://webct.uwa.edu.au. To login to WebCT, you need to supply a valid Person ID and password. Your Person ID is your student number (8 digits) and your password is your PHEME password.

If you are having trouble using WebCT please read the list of Frequently Asked Questions (FAQs), accessible at http://www.catl.uwa.edu.au/student which describes common login errors and who to contact for further help.

In addition to the web pages, unit email lists are used to send information to students enrolled in a particular unit. Students enrolling late and students who change their enrolment will not be on the list. To update your details, please see the following web page:

http://www.business.uwa.edu.au/students/it-help/quotas/update

Recommended/required text(s)


Lecture Notes and Readings

Lecture notes and readings will be distributed in-class weekly and thereafter be available on WebCT.

Financial Calculator

The UWA Business School has decided to adopt the list of approved calculators employed by the Faculty of Engineering, Computing and mathematics, details of which can be found at: http://www.ecm.uwa.edu.au/students/exams/calculators.

Most continuing students will already have an approved calculator which has an appropriate label affixed. If your calculator does not already have the requisite label, you must take your calculator (one from the approved list) to the reception at the UWA Business School Postgraduate Student Centre. Once the calculator is verified as being one from the approved list, a label indicating this will be affixed to the calculator and you are then allowed to use the calculator in exams for any Business School unit.

Please note that ONLY approved calculators with an affixed label are allowed to be used in official examinations. If your calculator does not have the appropriate label affixed you will NOT be allowed to use the calculator.

Recommended Financial Calculator - Texas Instruments, BA II Plus.

It is not necessary to have a ‘Finance’ calculator to study Finance at UWA. In the RATS and exam a formulae sheet will be provided, if necessary, and the type of questions which would favour a particular type of calculator will not be asked.

The TI BA II Plus is approved for use in Chartered Financial Analysts (CFA) courses and exams where it would definitely prove useful. If you are interested in finance and do not have a calculator then this one would be pretty good. However, if you already have a decent scientific/maths calculator it would be of marginal benefit. Please note that any brand of financial calculator which is also approved by the university will provide you with similar computational efficiencies.
Additional Books

The following books are useful additional reading material. You may wish to consult some of these books for an alternative coverage of the material. These books are not designed as class texts.

Essential for anyone wishing to undertake any investing:

• The Intelligent Investor, Revised Edition (2006) Graham, Benjamin (Updated with New Commentary by Jason Zweig)

Essential for anyone wishing to pursue a professional investing career:

• Valuation, 5th Edition (2010) Koller, T; Goedhart, M; Wessels, D.

Useful Additional Reading:

• The Only Three Questions That Count (2007) Fisher, Ken
• The (Mis)Behaviour of Markets (2004) Mandelbrot, Benoit B; Hudson, Richard L.
• The Fundamental Index (2008) Arnott, Robert D: Hsu, Jason C; West, John M.
• One Up on Wall Street (1989, reprinted 2000) Lynch, Peter

Financial databases and resources available at UWA

• Bloomberg (accessible from the Business Library only) Interactive financial information network that looks at global financial markets. Integrates data, news and analytics. Enables access to 3.6 million financial instruments. 24/7 interactive help facility available. Booking required.
• Connect 4 Connect 4 provides Australian Company information in an easy to use, up-to-date and searchable format. UWA has subscriptions to its M&A database, its Corporate Boardroom (ie, Company Directors) database, and its Annual Reports database.
• DatAnalysis Morningstar product which provides comprehensive data for all ASX listed companies, updated daily from relevant ASX announcements. The Search Tool allows you to conduct powerful searches across all sections of DatAnalysis to provide a list of companies that match selected criteria
• Datastream (accessible from the Business Library only) Contains 1,456 stocks for listed Australian companies as well as a number of dead stocks. Provides daily share price history and selected ratio information for Australian and international companies dating back to 1970 where available. Also contains international share price indices figures, as well as exchange rate data and economic and commodity data. Datastream is not available for use on Sundays. Bookings required.
• Fin Analysis A 12-year history of detailed financial information for all companies listed on ASX. More that 400 data items are provided and the data is entered and audited by financial analysts.
• Mergent Online Enables in-depth business and financial research. You can search international company data and retrieve financial company data and annual reports. Search features include industry groups and stock indexes. Data can be downloaded into spreadsheets.
• Mint Global Mint Global, also known as Orbis (which is the earlier interface), contains information on over 35 million companies worldwide, including banks and insurance companies.
• Zephyr A searchable database of merger and acquisition (M & A) activity, initial public offerings (IPOs), joint ventures, and private equity deals, all with no minimum deal value.
Software Requirements

A word processor and spreadsheet such as Microsoft word and excel plus access to the internet. You will also need a calculator, as specified previously.

Useful Internet Sites

Information on the capital markets and individual companies:

- ASX: www.asx.com.au
- Australian Financial Review: www.afr.com
- Finsia – Financial Services Institute of Australia: www.finsia.edu.au
- Reserve Bank of Australia: www.rba.gov.au
- Yahoo finance: finance.yahoo.com/
- Yahoo finance Australian site: au.finance.yahoo.com

Press

Students are expected to keep abreast of current developments in the capital markets by regularly reading the major financial and business newspapers and journals.

Journals

- Accounting and Finance
- Financial Management/Executive
- JASSA, Journal of Finsia
- Journal of Accounting and Economics
- Journal of Accounting Research
- Journal of Corporate Finance
- Journal of Finance
- Journal of Financial Economics
- Journal of Financial and Quantitative Analysis
UNIT SCHEDULE

Key Dates

- RATs: Aug 23 & Oct 4 (Start of class)
- Group Assignment Due: Oct 18 @ 5:00 pm (Start of class)
- Final Exam: As scheduled

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
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<tbody>
<tr>
<td>1</td>
<td>2 Aug</td>
<td>Topic 1 - Investment goals, what is investing? Practical issues</td>
<td>Chap 1, 10 Handout Notes</td>
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<td>Topic 2 - Investment concepts and maths</td>
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<td>2</td>
<td>9 Aug</td>
<td>Topic 3 - Investment criteria and performance measurement</td>
<td>Chap 2, 4.4 to 4.6 Handout Notes</td>
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<td>Topic 4 - Types of investment assets</td>
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<td>3</td>
<td>16 Aug</td>
<td>Topic 5 - Diversification and portfolios</td>
<td>Chap 7, 8, 9 Handout Notes</td>
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<td>Topic 6 - Behavioural finance</td>
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<td>23 Aug</td>
<td>RAT # 1 - (Weeks 1 to 3)</td>
<td>Chap 11, 12 Handout Notes</td>
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<td>Topic 7 - Investment analysis in detail</td>
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<td>5</td>
<td>30 Aug</td>
<td>Topic 8 - Shares</td>
<td>Chap 13, 14 Handout Notes</td>
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<td>Topic 8 - Shares (cont)</td>
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<td>Topic 8 - Shares (cont)</td>
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<td>Topic 8 - Shares (cont)</td>
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<td>8</td>
<td>20 Sep</td>
<td>Topic 8 - Shares (cont)</td>
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<td>27 Sep</td>
<td>1 Week Non-Teaching Study Break</td>
<td>Handout Notes</td>
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<td>9</td>
<td>4 Oct</td>
<td>RAT # 2 - (Weeks 4 to 8)</td>
<td>Chap 5, 6 Handout Notes</td>
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<td>Topic 9 - Direct real estate</td>
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<td>Topic 10 - Debt instruments</td>
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<td>Topic 11 - Borrowing to invest</td>
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<td>10</td>
<td>11 Oct</td>
<td>Topic 12 - Mutual Funds, LICs, ETFs</td>
<td>Chap 19, 20 Handout Notes</td>
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<td>Topic 13 - Index investing</td>
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<td>11</td>
<td>18 Oct</td>
<td>Submission of Group Assignment</td>
<td>Chap 4, 15, 16 Handout Notes</td>
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<td>Topic 14 - Derivatives (Options &amp; Futures)</td>
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<td>25 Oct</td>
<td>Topic 15 - Global investing</td>
<td>Chap 3, 18 Handout Notes</td>
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<td>Topic 16 - Alternative asset classes</td>
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<td>13</td>
<td>1 Nov</td>
<td>Review and Group Assignment review</td>
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<td>Exams</td>
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<td>12 Nov</td>
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RECOMMENDED TUTORIAL QUESTIONS

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<th>Week</th>
<th>Date</th>
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<tr>
<td>1</td>
<td>2 Aug</td>
<td>Handout Questions</td>
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<td>2</td>
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<td>12</td>
<td>25 Oct</td>
<td>Handout Questions</td>
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<tr>
<td>13</td>
<td>1 Nov</td>
<td>Review</td>
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<tr>
<td>Exams</td>
<td>12 Nov</td>
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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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<th>Assessment Component</th>
<th>Weight</th>
<th>Due Date(s)</th>
<th>Submission</th>
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<tr>
<td>Completion of class preparation exercises and participation in class discussion</td>
<td>10%</td>
<td>Every week</td>
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<tr>
<td>RATs</td>
<td>20%</td>
<td>23 Aug &amp; 4 Oct</td>
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<tr>
<td>Group Assignment</td>
<td>20%</td>
<td>18 October by</td>
<td>WebCT before 5pm</td>
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<tr>
<td>Final exam</td>
<td>50%</td>
<td>As scheduled</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.

Assessment components

Assessment item # 1 - Class Participation (10% of final mark)

You will be awarded a grade out of 10% based on your participation, including preparation for each class. The following criteria will be used for assessing your class / group meeting contributions:

- Did you complete class preparation exercises?
- Do the comments reveal thorough preparation for the class / group meeting?
- Do the comments reveal knowledge of the course material?
- Is the student able to relate theory to practice?
- Are the comments relevant to the topic and the stage of the debate?
- Do the comments reveal insight and a sense of judgment by the student?
- Do the comments make a significant contribution to the class / group discussion?

At a minimum, students should be prepared to discuss all aspects of the assigned readings and exercises.

Assessment item # 2 - Readiness Assurance Tests (20% of final mark)

There will be two RATs over the duration of the classes. You will complete each RAT individually. Each RAT will consist of either multiple choice questions, calculation questions or written questions. There will be 30 minutes allowed for each RAT.

Each RAT will be worth 10% of the final mark. There will be no alternative times set to sit missed RATs.

Assessment item # 3 - Group Assignment (20% of final mark)

The group assignment will be distributed during the second class (August 9), and will be discussed during that class.

The due date for submission is Tuesday 18 October 2011 at 5:00 pm, Perth time

Assessment Criteria

The assignment will be graded on its demonstration of depth of knowledge, rigour and clarity of communication. The specific breakdown of assessment will be distributed with the assignment.
Assessment item # 4 - Final Exam (50% of final mark)

The final exam is 2 hours plus 10 minutes reading time. Details of the final examination will be distributed in lectures towards the end of the semester. The exam could include calculation and discussion type questions. It will be a closed book exam. Formulae will be provided, but you must bring your own university approved calculator. Copies of previous exams are neither available nor necessarily relevant.

To pass this unit, students are required to achieve a score of at least 45% in the final exam. Students who fail to achieve the minimum standard in the final exam but achieve an accumulated score based on all assessment components for the unit of 50 and above will be awarded a final mark of 48%.

Submission of assignments

Submit your assignment at:

- A hardcopy at the commencement of class on Tuesday, 18 October, and on
- WebCT by 5pm on Tuesday, 18 October

The hardcopy version submitted in class on 18 October will be the version which is assessed for your course mark.

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

Late assignments will attract a penalty of 5% per day. This penalty will be waived by the lecturer only in exceptional circumstances. No marks will be awarded to assignments submitted after other students in the class have had their assignments returned.

Assignments will be returned in class or through the Postgraduate Reception. It is the intention that the marked assignments will be returned within two weeks of submission.

Student Guild

Phone: (+61 8) 6488 2295
Facsimile: (+61 8) 6488 1041
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 ).