

**Course Outline**  
**FINANCE 261 Introduction to Investments**

**Semester 2 (1175)**

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**1. Course Description**

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.

**2. 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.

**3. Learning Outcomes**

At the end of the course students will be able to:

1. Describe and understand the function of the major financial markets
2. Demonstrate knowledge of the theory underpinning risk and return both for individual securities and portfolios
3. Demonstrate knowledge of the basics of the capital asset pricing and market models, and bond management principles and theory
4. Understand the functioning of options and futures and basic principles of risk management.
5. Develop the ability to independently reason out investment issues and thus be better prepared when making real world investment decisions

#### **4. Teaching Staff:**

Lecturer: Dr John Lee  
Room: OGGB 5105  
Office hours: TBA  
E-mail: [byong.lee@auckland.ac.nz](mailto:byong.lee@auckland.ac.nz)  
Extension: 85171

Tutor : TBA  
Workshop : (Optional) TBA  
E-mail : TBA  
Office hours : TBA

#### **5. Learning Resources**

- 5.1. Prescribed text: Bodie, Kane, and Marcus, Essentials of Investments, McGraw-Hill, 10<sup>th</sup> Edition.

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.

- 5.2. Lecture handouts and readings

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

- 5.3. 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.

- 5.4. 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+).

#### **6. 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, and written assignments.

- 6.1. Lectures

TBA

It is assumed that students attend lectures.

- 6.2. Workshops

TBA

- 6.3. Lecture recording

Lectures will be recorded and links to the recordings will be posted on Cecil. 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.

## 7. Assessment

Assessment will be through written assignments, a mid-semester test and a final examination. All course materials covered are examinable. These three forms of assessment will assess your ability to demonstrate an understanding of the learning objectives. Their weightings and relationship to learning outcomes are as follows.

<b>Learning Outcome</b>	<b>Assignment 1</b>	<b>Assignment 2</b>	<b>Quizzes</b>	<b>Test</b>	<b>Final exam</b>
1	x		x	x	x
2	x		x	x	x
3	x	X	x	x	x
4		X	x		x
5	x	X	x		x
<b>Weightings</b>	<b>5%</b>	<b>5%</b>	<b>10%</b>	<b>20%</b>	<b>60%</b>

### 7.1. Assignments

All assignments must be completed. The date and cut-off time for handing in will be shown on the assignment. Assignments should be handed in to the Assignment Collection and Distribution Centre on Level 0 of the Owen G. Glenn Building and enclosed in the Department of Accounting and Finance cover sheet which is obtainable from the Centre. Assignments will be marked, recorded, and handed back via the Assignment Distribution Centre. Assignment marks recorded against your name may be viewed through Cecil. To assist your understanding suggested solutions will be posted on Cecil.

Assignments may get lost and grading may be inaccurate. Please keep a back-up copy of your assignment and your graded 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 your lecturer.

### 7.2. Quizzes

Details will be announced later.

### 7.3. 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 Cecil. 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](mailto:exams@auckland.ac.nz)). With an approval from the examinations office, the 20% test weight will be moved to the final examination.

#### 7.4. Final examination

The final is a 2-hour closed-book cumulative exam that covers the whole course. There will be long-answer type questions as well as multiple-choice 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. Note that students need to pass the final examination in order to be guaranteed to pass the course.

#### 7.5. Plagiarism, Copying or Cheating:

Students are reminded that the University of Auckland will not tolerate cheating, or assisting others to cheat, and views cheating in coursework as a serious academic matter. 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 world-wide web. A student's assessed work may be reviewed against electronic source material using computerised detection mechanisms. Upon reasonable request, students may be required to provide an electronic version of their work for computerised review. If a student gives some or all of their work to another student who then represents it as theirs, then the student who gave the work is assisting or colluding in cheating. Both parties in this case may be subject to penalties.

Plagiarism occurs when students use ideas, word sequences, diagrams and other forms of work established prior to the particular student's submission, without acknowledging the source of the work used. This will include work done by other students on previous occasions. Students should be aware that plagiarism is a serious offence and severe penalties may be imposed.

Further information on what constitutes plagiarism and cheating is online at the following url:

<http://www.auckland.ac.nz/uoa/about/teaching/plagiarism/plagiarism.cfm>

### 8. Programme and Course Advice

FINANCE 251 is a pre-requisite for the course.

Finance 261 is a pre-requisite for Modern Investment Theory and Management (FINANCE 361), Risk Management (FINANCE 362) and Financial Statement Analysis (ACCTG 371).

Finance 261 is an introductory course in investments and builds on knowledge obtained in FINANCE 251. In particular, it is assumed that students know how to: (a) apply simple discounted cash flow techniques; (b) calculate a mean, standard deviation, and covariance.