UNIVERSITY OF TASMANIA

Economics

Faculty of Commerce

BEA286
Investment Analysis

Semester 1, 2003

Unit Outline

Mr NJ Sreedharan

CRICOS Provider Code: 00586B

Contact details

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Unit details

School:	**Economics**
Faculty:	**Commerce**
Unit Title:	**Investment Analysis**
Unit Code:	**BEA286**
Prequisites/ Corequisites	**BFA181 Financial Management or its equivalent, and BEA140 Quantitative Methods 1 or its equivalent.**
Campus & Mode:	**Hobart**
Unit Weight:	**12.5%, WebCT supported**
Teaching Staff:	**Mr NJ Sreedharan**

Contents

Unit description

Aim

This unit in finance focuses on security analysis and portfolio management. It is designed to enable you to learn about investing from three points of view.

- Investment skills for your own personal gain.
- Investment skills for the financial services industry.
- An understanding of Global financial markets and instruments.

The study of investments is exciting. This is the only Unit that equips you directly to make money in the stockmarket. In this Unit you will participate in the Stock-Trak Project (portfolio simulation) managing an initial wealth of USD$500,000. You may not find it easy, but you will most certainly find it rewarding.

Learning outcomes

The Unit is also designed to enable you to achieve three pedagogical objectives.

- To extend your ability to solve financial problems within the context of a dynamic marketplace.
- To develop your financial research and analytical skills.
- To equip you to communicate effectively about security analysis and portfolio management.

Now that you have reached this stage in your university studies, there will be an increased emphasis on independent learning. You are expected to complete the required readings without detailed coverage in lectures. You are expected to regularly read the financial press. If you have any deficiencies in the prerequisite levels of knowledge or skills, then you are expected to correct them on your own. When you are proficient at *independently* acquiring investment knowledge and skills, it will continue to work for you long after you have finished your degree.

Prerequisites/corequisites

In order to enrol in this unit, you need to have satisfactorily completed the unit *BFA181 Financial Management* or its equivalent, and the unit *BEA140 Quantitative Methods 1* or its equivalent. You are assumed to have the following prerequisite levels of knowledge and skills, or to independently acquire them early in the semester.

Assumed skills

Quantitative skills: Financial mathematics and a familiarity with basic statistical techniques including standard deviation, coefficient of variation, covariance and linear regression.

Computing skills: Spreadsheet skills (preferably in *EXCEL*) and the ability to use the special functions in statistics and financial mathematics.

Texts, references and learning resources

Prescribed text

Corrado, Charles J. and Bradford D. Jordon, *Fundamentals of Investments: Valuation and Management*, with student CD-ROM, *2nd International Edition*, McGraw-Hill Higher Education, 2002.

Recommended reading

English, J., *The New Australian Stockmarket Investor: The Essential Guide For DIY Investors*, 3rd Edition, Allen & Unwin, 2002.

Access to WebCT

The WebCT entry page is at http://webct.utas.edu.au:8900/. Click 'Log on to myWebCT' and enter the same username and password that you use for your University email account. Your personal WebCT page will appear, with the units in which you are enrolled listed at the top left of the screen. Click on the 'Investment Analysis' link to gain access to the home page for this unit. Details about WebCT features are available on http://www.webct.com/quickstart. If you run into problems with WebCT, contact the Help Desk on Telephone: 6324 3888, or Email: HelpDesk@weboffice.utas.edu.au.

Teaching arrangements

Lectures/Workshops

There will be a 2-hour lecture and a 1-hour workshop. You can access the lecture slides in WebCT.

The first objective in the lectures is to give the unit a practical focus by presenting material that is immediately applicable in the Global financial markets.

The second objective in the lectures is to present a synopsis of the assigned reading in order to draw your attention to important theoretical issues.

The objective of the workshops is to provide you with a forum for the exchange of ideas and the clarification of concepts and techniques. Additional information on the Stock-trak Project will be revealed during the workshops. Unless you prepare for the workshops by completing the various exercises, you will not get much value from them.

Consultation

By appointment only.

Occupational health and safety (OH&S)

The University is committed to providing a safe and secure teaching and learning environment. In addition to specific requirements of this unit you should refer to the University's policy at: http://www.admin.utas.edu.au/hr/ohs/pol_proc/ohs.pdf

Unit schedule

Week	Topic	Readings
1	INTRODUCTION AND STOCK-TRAK Workshop	Corrado : Chs 1 & 2 None
2	SECURITY TYPES AND INVESTMENT FUNDS Workshop	Corrado : Chs 3 & 4, English : Appropriate parts STOCK-TRAK ACCOUNTS The purpose of this workshop is to ensure that all students have a STOCK-TRAK trading account.
3	STOCK MARKET AND STOCK VALUATION Workshop	Corrado : Chs 5 & 6, English : Appropriate parts Corrado : Review problems and self-test
4	SHARE ANALYSIS AND MARKET EFFICIENCY Workshop	Corrado : Chs 7 & 8, English : Appropriate parts Corrado : Review problems and self-test
5	DEBT SECURITIES Workshop	Corrado : Chs 9 & 10, English : Appropriate parts Corrado : Review problems and self-test
6	BOND MARKETS Workshop	Corrado : Chs 11, 12 & 13, English : Appropriate parts Corrado : Review problems and self-test
7	**MID-SEMESTER TEST** Workshop	To be held during the regularly scheduled lecture. Discussion of the project.
8	OPTIONS AND OPTION VALUATIONS Workshop	Corrado : Chs 14 & 15, English : Appropriate parts Corrado : Review problems and self-test

Week	Topic	Readings
9	FUTURES CONTRACTS Workshop	Corrado :Ch 16, English : Appropriate parts Corrado : Review problems and self-test
10	PORTFOLIO THEORY Workshop	Corrado : Chs 17 & 18, English : Appropriate parts Corrado : Review problems and self-test
11	SECURITY MARKET LINE Workshop	Corrado : Ch 18, English : Appropriate parts Corrado : Review problems and self-test
12	PERFORMANCE MEASUREMENT Workshop	Corrado : Ch 19, English : Appropriate parts Corrado : Review problems and self-test
13	STOCK-TRAK PRESENTATIONS Workshop	There will be no new material introduced during this last week. The purpose of the lecture is to allow the Stock-Trak Teams to conduct an oral presentation of their Final Reports. Review of lectures for the final examination.

Expectations

The University is committed to high standards of professional conduct in all activities, and holds its commitment and responsibilities to its students as being of paramount importance. Likewise, it holds expectations about the responsibilities students have as they pursue their studies within the special environment the University offers.

The University's Code of Conduct for Teaching and Learning states:

> *Students are expected to participate actively and positively in the teaching/learning environment. They must attend classes when and as required, strive to maintain steady progress within the subject or unit framework, comply with workload expectations, and submit required work on time.*

Assessment Summary

Your final grade will be based on a formal assessment of:

Mid-Semester Test	20%
Stock-trak Project	30%
Final Examination	50%

The mid-semester test in Week 7 covers the lecture material from Weeks 1-6 and Chapters 1-13 in Corrado. If you do not sit the mid-semester test at the designated time, you will not be offered a make-up test unless you present a valid doctor's certificate.

The final examination covers all of the lecture material and all of the assigned readings for the semester.

Stock-Trak Project

The class will participate in the STOCK-TRAK portfolio simulation managing an initial wealth of USD$500,000. Students will join into groups up to four members and register an account as an investment team for the 12-week period from March 3, 2003 to May 23, 2003. Groups must register by March 7, 2001. *The registration is FREE to students who purchase a new copy of the Essential Textbook listed above*. Trades can be submitted via the internet by logging onto www.stocktrak.com. You will get 20 minute delayed prices in this simulation. This simulation gives students an opportunity to practice what they learn from the course. Students can keep track of their account activity by logging onto www.stocktrak.com.

Grading of the Stock-Trak Project

The STOCK-TRAK project will constitute 30% of the course marks. That 30% will be broken down as follows:

Presentations and class participations	5%
Stock-Trak Report	25%

There is no requirement for the trades and types. You can invest in any type of financial instruments. *But, it is highly encouraged to have investment objectives and goals as you start investing. In addition, please try different securities (i.e. options, futures, and bonds) as this is a good hands-on learning experience.* Please note that there is a maximum trade limit in this simulation of 100 trades.

Stock-Trak Report

The purpose of this report is to enable you to develop your research and writing skills while you are learning about capital market theory. It is intended that you will read widely and then integrate your thoughts into a unified critique of capital market theory and evidence.

Teams will be required to submit an end-of-trading period report tracking the performance of their portfolio. You will NOT print off the account activity as reported by StockTrak and turn that into your reports. These reports should cumulative and track the performance of the portfolio each week through the semester.

Your report is to be prepared in accordance with the Faculty's *Guide for Students.* It must be your own work and consistent with Section 7.7 on plagiarism in the Faculty *Guide for Students*. Reports will not be accepted that do not reasonably conform to the specific guidelines given below.

Specific Guidelines

Give your account number and list the names of the members of your group.

a) What was your portfolio objective? i.e., (1) short-run, to accumulate the highest portfolio value by May 23, 2003, or (2) long-run, to assemble a portfolio for the long-run.

b) Discuss the rationale behind why you invested in each of the securities you purchased (or shorted), and why you sold (or covered your short position). If you decided to hold some cash, also explain your reasoning for this decision as well.

c) Based on your investment experience and knowledge, were any of the results surprising? How?

d) If you could have invested differently, what would you have done? Why?

e) Write about your experience with Stock-Trak Project? What did you like about it, and what did you dislike about it?

Explain using all the concepts and ideas that you have learned in this Unit. In addition, use the Excel program to enhance your report. The criteria used in assessing the report will include: computational accuracy, logical interpretation of your results, demonstration of precise understanding of the underlying theory, neatness and style of presentation, both written and oral.

The Stock-trak Report will be due on Monday, May 26, 2003.

Submission of Reports

All work must have the School of Economics Assignment Cover Sheet attached. The cover sheet will be available on the unit page on WebCT.

Please remember that you are responsible for lodging your written work on or before the due date. We suggest that you keep a copy – photocopying is ideal. Even in the most 'perfect' of systems, items sometimes go astray. Lodge your assignments in the box marked BEA286 on Level 4, Foyer Area, Commerce Building. Work will be returned during classes. Uncollected assignments will be available from the Secretary's office, Room 407.

Requests for extensions

Extensions will only be granted on the basis of consultation with your lecturer before the due date. If you are ill, please provide a medical certificate so that this can be noted.

Academic referencing

Student writers need to back up their ideas by referring to scholarly literature, works of art and inventions that they have used. Failure to do so constitutes academic dishonesty (plagiarism), a matter considered by the University of Tasmania as a serious offence. It is important that students understand how to correctly refer to the work of others and maintain academic integritiy.

The appropriate referencing style for this unit is

> Baumol, William (1986), "Productivity Growth, Convergence and Welfare", *American Economic Review*, vol. 76, pp. 1072-85.
>
> Maddison, Angus (1970), *Economic Progress and Policy in Developing Countries*, London, Allen and Unwin.

For information on presentation of assignments :

http://www.utas.edu.au/library/assist/gpoa/gpoa.html

Please read the following statement on plagiariam. Should you require clarification please see your unit coordinator or lecturer.

Plagiarism

Plagiarism is a form of cheating. It is taking and using someone else's thoughts, writings or inventions and representing them as your own; for example, using an author's words without putting them in quotation marks and citing the source, using an author's ideas without proper acknowledgment and citation or copying another student's work.

In fact the intentional copying and submission of someone else's work as one's own is a serious offence tantamount to academic fraud. It is a University offence punishable by a range of penalties that may range from a fine or deduction/cancellation of marks and, in the most serious of cases, exclusion from a unit, a course, or the University. **When in doubt consult your lecturer or tutor**. Details of penalties that can be imposed are available in the Ordinance of Student Discipline or at: www.utas.edu.au/plagiarism

Additional assistance

If you are experiencing difficulties with your studies or assignments, have personal or life planning issues, disability or illness which may affect your course of study, you should raise these with your lecturer.

Student Services staff are located in Hobart, Launceston and Burnie and provide a wide range of services to assist students, they include:

- Student Counsellor
- Careers Adviser
- Disability Adviser
- Student Employment Service.

Or visit the Student Services website at :
http://student.admin.utas.edu.au/services/

Should you require assistance in accessing the Library visit their website for more information at http://www.utas.edu.au/library/

Your contact Librarian for this unit is :

http://www.utas.edu.au/library/about/contact.html#mm

International Services website provides information on the assistance available to international students, visit their site at :
http://www.international.utas.edu.au/index.html

The Learning Development website has a wide range of resources on study skills and learning strategies, visit their site at : http://www.utas.edu.au/learndev/

Help resolving concerns about this unit

If you have any concerns or complaints with the administration and/or management in this unit or your BEc course of either a general or personal nature, then you should in the first instance discuss the matter with your lecturer. If you feel that you would rather discuss the issue with an independent person within the School of Economics, then contact the Ombusperson:

Dr Sarah Jennings
School of Economics
Room 413
email sarah.jennings@utas.edu.au

If the matter is still unresolved and you would like to know who to contact or the procedures for resolving your concern refer to the following website :
http://student.admin.utas.edu.au/services/complaints/index.html

The Hobart based Tasmanian University Union (TUU) or the Launceston/Burnie based Student Association (SA) may also be able to assist.

Unit feedback

The University of Tasmania, on a regular basis, evaluates its teaching and learning environment through the Student Evaluation of Teaching and Learning (SETL) system. The University values feedback from students and from time to time you will be asked to complete a SETL evaluation for a unit of study. For more information on SETL go to :

http://www.admin.utas.edu.au/HANDBOOKS/UTASHANDBOOKS/STUDINFO/studeval.html