**7223AFE**  
Financial Institutions and Instruments  

**Semester 1 - 2006**

<table>
<thead>
<tr>
<th>Academic Organisation:</th>
<th>Department of Accounting, Finance and Economics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty:</td>
<td>Griffith Business School</td>
</tr>
<tr>
<td>Credit point value:</td>
<td>10</td>
</tr>
<tr>
<td>Student Contribution Band:</td>
<td>Band 2</td>
</tr>
<tr>
<td>Course level:</td>
<td>Postgraduate</td>
</tr>
<tr>
<td>Campus/Location/Learning Mode:</td>
<td>Nathan / On Campus / In Person</td>
</tr>
<tr>
<td>Convenor/s:</td>
<td>Mr Benjamin Liu (Nathan)</td>
</tr>
<tr>
<td>Enrolment Restrictions:</td>
<td>Restricted: Approval from Head of School</td>
</tr>
<tr>
<td>This document was last updated:</td>
<td>21 February 2006</td>
</tr>
</tbody>
</table>

**BRIEF COURSE DESCRIPTION**

This course intends to provide understanding of the institutional and operational aspects of Financial Systems from both theoretical and practical perspectives. The main focus will be based on the following synopsis: Financial Sector analysis; Evaluation of Financial Markets and Instruments; Evolution in Financial Systems in reference to Australia. Students are expected to follow business and finance activities throughout the semester. It is important that all students are aware of developments in relation to the Financial Sector.

This course is normally offered at:
- Gold Coast Semester 2
- Nathan Semester 1 Day

Incompatible: 7214ACF Financial Institutions and Instruments
SECTION A – TEACHING, LEARNING AND ASSESSMENT

COURSE AIMS

ASIC PS146 compliance
This course is **PS146 compliant** and thus equips students with generic and specialist knowledge required by the Australian Securities and Investment Commission (ASIC) of a financial adviser in Australia.

This course is designed to develop basic skills that are of a practical nature for the financial Institutions and financial service industry. Students are expected to build their generic skills in the following areas:

- Australian financial systems and financial institutions
- FX markets
- Risk Identification and management
- Interest rate and currency swaps
- Share market and analysis of share prices
- Financial forecasting
- Satisfy ASIC’s PS 146 basic generic and specialist knowledge requirements of a financial adviser in Australia.

LEARNING OUTCOMES

This course intends to provide understanding of the institutional and operational aspects of the financial system from both theoretical and practical perspectives.

Students are expected to follow business and finance activities throughout the semester. It is important that all students are aware of developments in relation to the financial sector.

This course is well set out with the program’s objectives and students are expected to learn comprehensive skills and knowledge in:

- Financial systems
- Securities markets and government borrowing conditions.
- Interpreting information in finance journals.
- Understanding of FX, Interest rate and currency swaps.

CONTENT, ORGANISATION AND TEACHING STRATEGIES

This course is Mode A web-supplemented. Lecture notes will be posted using the “Learning@griffith” on the University web site. All Announcements will be posted on the notice board under “Announcements” in Learning@griffith.

This course will be presented in a two-hour lecture and a one-hour tutorial per week. **Lectures** will introduce each new topic from **week1 to week13, except for week 7. In week 7, students will not need to attend lecture and tutorial because the time is designed for students to prepare their individual assignments rather than a mid-semester exam.**

**Three are eleven weeks tutorials, excluding week1 and week7.** Students are expected to discuss materials covered in the previous week lecture and are encouraged to bring new ideas from a range of sources to the tutorials. The tutorials will be structured to encourage discussions of exercises, problems and assigned readings relating to the topic presented in the previous week lecture. It is the basic philosophy of learning in this course that at least four hours of outside preparation is usually required as a prerequisite for a meaningful two-hour lecture.
It is the basic philosophy of learning in this course that at least **four hours** of outside preparation is usually required as a prerequisite for a meaningful two-hour lecture.

**CONTENT SUMMARY**

<table>
<thead>
<tr>
<th>Week</th>
<th>Lecture Topic</th>
<th>Textbook</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The flows of funds in the financial system</td>
<td>Chapter 1</td>
</tr>
<tr>
<td>2</td>
<td>Deposition-taking financial institutions</td>
<td>Chapter 3</td>
</tr>
<tr>
<td>3</td>
<td>Regulations for financial institutions</td>
<td>Chapter 5</td>
</tr>
<tr>
<td>4</td>
<td>Long-term savings institutions</td>
<td>Chapter 4</td>
</tr>
<tr>
<td>5</td>
<td>Debt securities and markets</td>
<td>Chapter 2</td>
</tr>
<tr>
<td>6</td>
<td>Managing Interest Rate Risk</td>
<td>Chapter 10</td>
</tr>
<tr>
<td>7</td>
<td>Preparation for individual assignment</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Share markets and investment</td>
<td>Chapter 11</td>
</tr>
<tr>
<td>9</td>
<td>Share investment</td>
<td>Chapter 11 (and other readings)</td>
</tr>
<tr>
<td>10</td>
<td>Foreign exchange market and risk identifications</td>
<td>Chapters 13</td>
</tr>
<tr>
<td>10</td>
<td>Individual assignment due</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Derivatives: Fixed rate instruments</td>
<td>Chapter 14</td>
</tr>
<tr>
<td>12</td>
<td>Derivatives: Options</td>
<td>Chapter 15</td>
</tr>
<tr>
<td>13</td>
<td>Course review</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Final Exam</strong></td>
<td><strong>During Campus Exam Period</strong></td>
</tr>
</tbody>
</table>

- Students should come prepared for all classes having read the required readings from the text, as well as required articles from the scholarly literature, which will be advised in class or via Learning@griffith.

**ASSESSMENT**

*Summary of Assessment*

<table>
<thead>
<tr>
<th>Item</th>
<th>Assessment Task</th>
<th>Length</th>
<th>Weighting</th>
<th>Total Marks</th>
<th>Due Date and Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Assignment</td>
<td>Max: 4000 words (excl. any calculations or numerical data)</td>
<td>40%</td>
<td>40</td>
<td>Week 10</td>
</tr>
<tr>
<td>2.</td>
<td>Final Examination</td>
<td>180 Minutes</td>
<td>60%</td>
<td>60</td>
<td>Exam Period</td>
</tr>
</tbody>
</table>
Assessment Details

- The assessments will test the understanding of the material presented during the course. Students will be expected to perform satisfactorily in each assessment item to obtain an overall pass for the course by achieving an overall score of 50% or above for the course.
- The final examination (60% of 100 marks) will evaluate the student individual ability to develop a conceptual, analytical and decision making framework for management policy formation and implementation relevant to the banking and finance industry.
- The individual assignment (40% of 100 marks) is designed to assess the students’ understanding of the identified issue in relation to the security trading strategy.

Assignment

- Forty percent (40%) of the assessment in this course comprises a written assignment of no more than 4,000 words (excluding any calculations or numerical data), which is due in Week 10 and in report format. The topic for the assignment is as follows:

“Select any financial security listed on the Australian Stock Exchange (see www.asx.com.au). This can include any listed share, option, warrant, property trust, Listed Investment Company, Exchange Traded Fund, Pooled Development Fund, futures contract, interest rate security, or combinations thereof, that you wish and which is approved in writing by the Lecturer. Determine a profitable trading strategy for that security (or combination of securities); estimate the likely profitability of your trading strategy in respect of that security (or combination of securities); and provide any evidence which logically supports your recommendation(s).”

- Students should email the Lecturer at B.Liu@griffith.edu.au by 5 p.m. on the Friday of Week 2 of the semester, requesting that they be assigned a particular listed security or combination of securities. Students should be sure to provide their 2nd, 3rd and 4th preferences in your email, as securities will be allocated on a “first come, first serve” basis - i.e. whoever asks for a particular security or combination of securities) first, will get it. Accordingly, it cannot be guaranteed that students will be assigned their first preference.
- Students will be notified by return email which topic they have been allocated by 5 p.m. on the Friday of Week 4 of the semester. Students must NOT embark on an assignment topic unless and until they have notified by the Lecturer by email that they have been allocated that topic.
- Assignment due: the assignment must be handed in by 5.00pm on Thursday, 11 May (week 10) at OCAHS (Off Campus & Assignment Handling Services).

Examination

There will be a FINAL EXAMINATION in this course. The final exam will cover the entire course and will be held over three hours in the normal final exam period. It used to test how students have developed a conceptual framework towards the identification of significant issues of the course. It also evaluates the student’s ability to develop a conceptual, analytical and decision making framework for analysis of the Financial Systems. The Examination will also test the student’s knowledge and understanding of contemporary features of Financial Instruments. Supplementary Exams will not be given for this course.

Return of Assessment Items

- Marked assignments will normally be returned to each student during week 13 lecture time. Otherwise, you will be informed to “where” and “when” to collect marked results. Information regarding the return of assessment items will be advised via the Learning @Griffith web site.

Notification of Availability of Feedback on Assessment

Students can request feedback from the convenor.
The **Griffith Graduate Statement** lists the graduate skills that students should develop during their degree programs at Griffith University.

### Graduate Skills

<table>
<thead>
<tr>
<th>Graduate Skills</th>
<th>Taught</th>
<th>Practised</th>
<th>Assessed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective communication (written)</td>
<td>☑️</td>
<td>☑️</td>
<td>☑️</td>
</tr>
<tr>
<td>Effective communication (oral)</td>
<td>☑️</td>
<td>☑️</td>
<td>☐️</td>
</tr>
<tr>
<td>Effective communication (interpersonal)</td>
<td>☑️</td>
<td>☐️</td>
<td>☐️</td>
</tr>
<tr>
<td>Information literacy</td>
<td>☑️</td>
<td>☑️</td>
<td>☑️</td>
</tr>
<tr>
<td>Problem solving</td>
<td>☑️</td>
<td>☑️</td>
<td>☑️</td>
</tr>
<tr>
<td>Critical evaluation</td>
<td>☑️</td>
<td>☑️</td>
<td>☑️</td>
</tr>
<tr>
<td>Work autonomously</td>
<td>☑️</td>
<td>☑️</td>
<td>☑️</td>
</tr>
<tr>
<td>Work in teams</td>
<td>☐️</td>
<td>☐️</td>
<td>☐️</td>
</tr>
<tr>
<td>Creativity and innovation</td>
<td>☑️</td>
<td>☑️</td>
<td>☑️</td>
</tr>
<tr>
<td>Ethical behaviour in social / professional / work environments</td>
<td>☐️</td>
<td>☐️</td>
<td>☐️</td>
</tr>
<tr>
<td>Responsible, effective citizenship</td>
<td>☐️</td>
<td>☐️</td>
<td>☐️</td>
</tr>
</tbody>
</table>

A student is also expected to develop good time management and planning skills, as well as numerical and quantitative skills, as they are helpful for a successful completion of the study.

### TEACHING TEAM

**Course Lecturer**

<table>
<thead>
<tr>
<th>Convenor Details</th>
<th>Nathan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Campus Convenor</td>
<td>Dr. Benjamin Liu</td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:B.Liu@griffith.edu.au">B.Liu@griffith.edu.au</a></td>
</tr>
<tr>
<td>Office Location</td>
<td>N 72 -0.10</td>
</tr>
<tr>
<td>Phone</td>
<td>3735 3549</td>
</tr>
<tr>
<td>Fax</td>
<td>3735 7760</td>
</tr>
<tr>
<td>Consultation times*</td>
<td>2.00-4.00PM, Monday</td>
</tr>
</tbody>
</table>

*The scheduled time may be changed and any change will inform students one week in advance through the lecture and Learning@Griffith.

### COURSE COMMUNICATIONS

Students are encouraged to come and consult with the course convenor and it is strongly recommended that, they arrange this through the use of e-mail. Students are also advised that other miscellaneous
communications for students will be made available through the “Learning@griffith” portal on the University web site. There will be consultation hours and these will be advised via the “Announcements” page on the “Learning@griffith” portal on the University web site.

**Absence from examinations** will automatically result in a “fail” grade for this course. A **Deferred** examination/project report date may be given to an applicant who has an incapacitating medical condition with accompanying proper medical documentation.

**TEXTS AND SUPPORTING MATERIALS**

**TEXT:**


**OTHER USEFUL REFERENCES**


**Practical references:**


**Media:** Articles in publications such as the RBA Bulletin, Financial Review, Business Review Weekly, The Australian, and others are useful sources of information, as are business related television programs such as Business Sunday and at times current affairs bulletins.
**Journals:** Research papers on issues related to the course can be found in the main finance journals such as the Journal of Finance and the Journal of Banking and Finance. Professional journals/magazines such as Euromoney, Asiamoney and The Economist are also useful sources of data on current developments.

Useful/interesting websites include:

- [http://www.standardandpoors.com](http://www.standardandpoors.com) (Standard & Poors)
- [http://www.bis.org](http://www.bis.org) (Bank for International Settlements-BIS)
- [www.unbc.ca/schell/](http://www.unbc.ca/schell/) (Financial Management Association International)
- [www.patriot.net/users/bernkopf](http://www.patriot.net/users/bernkopf) (Central Banking Resource Center)
- [http://finance.yahoo.com](http://finance.yahoo.com)

Please note that the above information is provided as a guide only. Students are expected to conduct their research and explore any available source of data to prepare their work. In addition to the recommended readings, students are expected to develop a general knowledge of Australian banking and finance, and financial institution operations through a wide range of sources, such as Griffith library's databases.
Deferred Exam Requests
Requests for deferred exams (mid-semester or final) must follow the procedures outlined in the Griffith University deferred examinations policy. Students must apply for a deferred exam using the Application for Deferred Examination form (downloadable from the Griffith University website). This application form must be received no later than three working days after the date of the exam. Documentation is required to support all requests for a deferred examination. If requesting a deferred examination on medical grounds, students must submit an original Griffith University Medical Certificate (or certified copy) from a registered medical practitioner. The medical certificate must state the date on which the practitioner examined the student, the severity and duration of the complaint, and the practitioner’s opinion that the student was unable to sit the exam on the scheduled date of the examination. A statement that the student was “not fit for duty” or was suffering from a “medical condition” will not be accepted unless the above information is included. Students should note that applications will be rejected if submitted without a completed Griffith University Medical Certificate. A blank university medical certificate attached to a deferred examination application form with a private doctor’s medical certificate will also be rejected. Applications will also be rejected if there is a reason to believe that a student is seeking to achieve an unfair advantage, as is suggested by a pattern of repeat deferred examination applications. The application will be checked for previous history of deferred examination applications. For more details please see the Deferred Examinations policy available on the Griffith University website.

Scope Of Course Evaluation
This course is evaluated periodically, usually every year. The evaluation will be in the form of a set of standard questions to be answered by students on various aspects including content, design, assessment and satisfaction. The evaluation will also include a component for general feedback from students.

Administration
This course is administered by the Department of Accounting, Finance & Economics.

1. Any dishonest assignments will be dealt with according to the university rules and regulations. Dishonest assignment practices include deliberate copying or attempting to copy the work of other students, submitting the work of another as your own, plagiarism.
2. All group assignments must be word-processed.
3. Assignments must be submitted by the due date and time.
4. Assignments submitted without clear indication of student names and numbers will not be assessed.
5. Assignments received by fax will not be accepted.
6. Students are expected to pre-read material available on the website and attempt the assigned exercises and problems before attending lectures and tutorials.
7. Students who are considering a career in accounting are encouraged to join one of the professional accounting bodies as a student member.

Late Submission of Assignments
Requests for an extension of time for submission of an assessment item must be lodged before the due date for the assessment item. Requests received on or after the due date will only be considered in exceptional circumstances. Extension requests must be made in writing to the Course Convenor, and be accompanied by appropriate supporting documentation.

**Plagiarism / Academic Misconduct**

Students must conduct their studies at the University honestly, ethically and in accordance with accepted standards of academic conduct. Any form of academic conduct which is contrary to these standards is academic misconduct for which the University may penalise a student. Specifically it is academic misconduct for a student to:

- present copied, falsified or improperly obtained data as if it were the result of laboratory work, field trips or other investigatory work;
- include in the student's individual work material which is the result of significant assistance from another person if that assistance was unacceptable according to the instructions or guidelines for that work;
- assist another student in the presentation of that student's individual work in a way that is unacceptable according to the instructions or guidelines for that work;
- cheat; (Cheating is dishonest conduct in assessment);
- plagiarise; (Plagiarism is knowingly presenting the work or property of another person as if it were one's own.)

On determination that academic misconduct has taken place, the penalty which may be imposed on the student is one or more of the following:

a. a reduced or nil result for the assessment item affected by the academic misconduct;
b. a fail grade for the course in which academic misconduct occurred;
c. exclusion from enrolment in the program for a specified period;
d. exclusion from the program; readmission to the program is at the discretion of the Faculty based on consideration of the student's case for readmission.

Where a student has been found guilty of academic misconduct on more than one occasion and has previously been penalised as set out in above a. - c., the penalty shall normally be exclusion from the program as set out in d., unless in the opinion of the relevant Assessment Board there are mitigating circumstances.

Further information on this policy can be found in full at the following web address: [http://www62.gu.edu.au/policylibrary.nsf](http://www62.gu.edu.au/policylibrary.nsf)

**Assessment Policy**

This policy outlines the philosophy of assessment, the assessment requirements of a course, the award of grades, information on special consideration, supplementary and deferred assessment, the conduct of students in examinations and the notification of results. This policy also includes information on appealing grades (review of grade application), disposal of non-collected assessment material and roles and responsibilities of Course Convenors and Faculty Assessment Boards. This policy can be found in full at the following web address: [http://www62.gu.edu.au/policylibrary.nsf](http://www62.gu.edu.au/policylibrary.nsf)

**Student Appeals and Grievances Policy**

Griffith University is committed to an equitable and enriching environment for students which fosters academic achievement and where the interactions amongst students and staff are based on mutual respect, fairness and fulfilment of obligations. The University's Student Charter expresses the expectations which students may have of the University and which the University has of its students. The Student Charter, together with the rules and policies of the University, provide the framework for the interaction between the University, its staff and students. This policy provides the mechanism for resolving problems when a student considers that a decision of the University or one of its staff or a situation experienced by the student is not in accordance with the expectations set down in the Student Charter or the University's rules and policies.

Section 2.1 of this policy provides students with information on how to best resolve certain grievances, eg. the awarding of a final grade, appealing a penalty imposed for academic misconduct, appealing academic probation or exclusion decisions, or refusal to award a deferred exam etc. This policy can be found in full at the following web address: [http://www62.gu.edu.au/policylibrary.nsf](http://www62.gu.edu.au/policylibrary.nsf)
ACADEMIC MISCONDUCT

Students must conduct their studies at the University honestly, ethically and in accordance with accepted standards of academic conduct. Any form of academic conduct that is contrary to these standards is academic misconduct, for which the University may penalise a student. Specifically it is academic misconduct for a student to:

- present copied, falsified or improperly obtained data as if it were the result of laboratory work, field trips or other investigatory work;
- include in the student's individual work material that is the result of significant assistance from another person if that assistance was unacceptable according to the instructions or guidelines for that work;
- assist another student in the presentation of that student's individual work in a way that is unacceptable according to the instructions or guidelines for that work;
- cheat; (Cheating is dishonest conduct in assessment);
- plagiarise (Plagiarism is knowingly presenting the work or property of another person as if it were one's own.)

Visit the University's Policy on Academic Misconduct for further details.

KEY STUDENT-RELATED POLICIES

All University policy documents are accessible to students via the University's Policy Library website at: www.griffith.edu.au/policylibrary. Links to key policy documents are included below for easy reference:

- Student Charter
- Academic Standing, Progression and Exclusion Policy
- Student Administration Policy
- Policy on Student Grievances and Appeals
- Assessment Policy
- Examinations Timetabling Policy and Procedures
- Academic Calendar
- Guideline on Student E-Mail
- Health and Safety Policy

UNIVERSITY SUPPORT RESOURCES

The University provides many facilities and support services to assist students in their studies. Links to information about University support resources available to students are included below for easy reference:

- Learning Centres - the University provides access to common use computing facilities for educational purposes. For details visit www.griffith.edu.au/cuse
- Learning@Griffith - there is a dedicated website for this course via the Learning@Griffith student portal.
- Student Services facilitate student access to and success at their academic studies. Student Services includes: Careers and Employment Service; Chaplaincy; Counselling Service; Health Service; Student Equity Services (incorporating the Disabilities Service); and the Welfare Office.
- Learning Services within the Division of Information Services provides learning support in three skill areas: computing skills; library skills; and academic skills. The study skills resources on the website include self-help tasks focusing on critical thinking, exam skills, note taking, preparing presentations, referencing, writing, proof reading, and time management.