



The University of Southern Queensland

## Course specification

The current and official versions of the course specifications are available on the web at <http://www.usq.edu.au/coursespecification/current>.  
Please consult the web for updates that may occur during the year.

### Description: Managing Financial Institutions

Subject	Cat-nbr	Class	Term	Mode	Units	Campus
FIN	2109	86724	1, 2009	ONC	1.00	Toowoomba

<b>Academic group:</b>	FOBUS
<b>Academic org:</b>	FOB008
<b>Student contribution band:</b>	3A
<b>ASCED code:</b>	081101

### STAFFING

Examiner: David Troedson  
Moderator: Boyd Scheuber

### REQUISITES

Pre-requisite: FIN1101 or FIN1103

### OTHER REQUISITES

Students are required to have access to a personal computer, e-mail capabilities and Internet access to USQConnect. Current details of computer requirements can be found at <http://www.usq.edu.au/ict/students/standards/default.htm>.

### SYNOPSIS

This course provides a broad appraisal of authorized deposit taking institutions (ADIs), and the associated decision making processes of the financial services sector in Australia. A range of topics is addressed including: the Australian financial environment; understanding financial statements; evaluating returns, risks and performance; the yield curve and gap management; the management of liabilities, liquidity, the securities portfolio and capital; and hedging and pricing with interest rate derivatives.

### OBJECTIVES

On successful completion of this course, students should be able to:

1. discuss strategic management in the financial services industry, outline the structure of the Australian financial sector and discuss the regulatory environment in which ADIs operate
2. demonstrate an understanding of the term structure of interest rates and interest rate sensitivity of assets and liabilities
3. demonstrate an understanding of the management of liabilities
4. explain liquidity risk and demonstrate an understanding of liquidity management

5. discuss the types of securities that ADIs invest in and explain how the security portfolio is managed
6. demonstrate an understanding of how ADIs manage capital
7. discuss means by which ADIs manage portfolio risk and credit risk
8. understand the difference between forwards and futures, and display a working knowledge of each
9. demonstrate an understanding of what an option is, especially interest rate options, and explain how and why they are used by ADIs
10. understand the basics of interest rate swaps and how they are used by banks
11. demonstrate the literacy skills required of a financial services professional by reading and demonstrating an understanding of an ADI's financial statement
12. solve problems faced by financial services professionals in the management of financial institutions by applying key risk and return measures and an understanding of the trade-off between risk and return to the examination and evaluation of ADI financial statements
13. demonstrate relevant numeracy skills by undertaking the range of calculations that face managers of financial institutions (including management of the duration gap).

## TOPICS

Description	Weighting (%)
1. Introduction	8.00
2. Understanding financial statements of ADIs	10.00
3. Evaluating returns, risks and overall performance	10.00
4. The yield curve and gap management	10.00
5. Managing liabilities	8.00
6. Managing liquidity	8.00
7. Managing the securities portfolio	8.00
8. Managing capital	8.00
9. Managing the loan portfolio	6.00
10. Financial futures and forwards: hedging and pricing	8.00
11. Interest rate options: hedging and pricing	8.00
12. Interest rate swaps: hedging and pricing	8.00

## TEXT and MATERIALS required to be PURCHASED or ACCESSED

ALL textbooks and materials are available for purchase from USQ BOOKSHOP (unless otherwise stated). Orders may be placed via secure internet, free fax 1800642453, phone 07 46312742 (within Australia), or mail. Overseas students should fax +61 7 46311743, or phone +61 7 46312742. For costs, further details, and internet ordering, use the 'Textbook Search' facility at <http://bookshop.usq.edu.au> click 'Semester', then enter your 'Course Code' (no spaces).

Hogan, W, Avram, K & Brown, C et al 2004, *Management of financial institutions*, 2nd edn, John Wiley & Sons, Milton, Queensland.

## REFERENCE MATERIALS

Reference materials are materials that, if accessed by students, may improve their knowledge and understanding of the material in the course and enrich their learning experience.

Das, S 2006, *The Das swaps and financial derivatives library*, 3rd edn, John Wiley & Sons, Singapore.

(revised edition)

Gardner, MJ, Mills, DL & Cooperman, ES 2005, *Managing financial institutions*, 5th edn, Thomson/South-Western, Mason, Ohio.

Hempel, GH & Simonson, DG 1999, *Bank management: text and cases*, 5th edn, John Wiley, New York.

Hunt, B & Terry, C 2007, *Financial institutions and markets*, 5th edn, Thomson Learning, Melbourne, Victoria.

Saunders, A & Cornett, M 2008, *Financial institutions management: a risk management approach*, 6th edn, McGraw-Hill Irwin, Boston, Massachusetts.

Sinkey, JF Jr 2002, *Commercial bank financial management in the financial services industry*, 6th edn, Prentice Hall, Upper Saddle River, New Jersey.

## STUDENT WORKLOAD REQUIREMENTS

ACTIVITY	HOURS
Assessments	20.00
Directed Study	52.00
Private Study	93.00

## ASSESSMENT DETAILS

Description	Marks out of	Wtg (%)	Due date	Objectives assessed	Graduate skill	Level assessed
ASSIGNMENT	30.00	30.00	23 Apr 2009	1, 2, 3, 4, 6, 11, 12, 13	U2, U3	2, 2
EXAM A (MULTI-CHOICE)	40.00	40.00	END S1 (see note 1)	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13	U2, U3	2, 2
EXAM PART B (WRITTEN)	30.00	30.00	END S1	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13	U2, U3	2, 2

### NOTES

1. The examination is scheduled to be held in the end-of-semester examination period. Students will be advised of the official examination date for Exam (A & B) after the timetable has been finalised. The total working time for Exam (A & B) is 2 hours.

## GRADUATE QUALITIES AND SKILLS

Elements of the following Graduate Skills are associated with the successful completion of this course.

Graduate skill assessed	Level assessed
Problem Solving (Skill U2)	Intermediate (Level 2)
Academic & Professional Literacy (Skill U3)	Intermediate (Level 2)

## IMPORTANT ASSESSMENT INFORMATION

- 1 Attendance requirements:**  
It is the students' responsibility to attend and participate appropriately in all activities (such as lectures, tutorials, laboratories and practical work) scheduled for them, and to study all material provided to them or required to be accessed by them to maximise their chance of meeting the objectives of the course and to be informed of course-related activities and administration.
- 2 Requirements for students to complete each assessment item satisfactorily:**  
To satisfactorily complete an individual assessment item a student must achieve at least 50% of the marks. (Depending upon the requirements in Statement 4 below, students may not have to satisfactorily complete each assessment item to receive a passing grade in this course.)
- 3 Penalties for late submission of required work:**  
If students submit assignments after the due date without prior approval of the examiner, then a penalty of 5% of the total marks gained by the student for the assignment may apply for each working day late up to ten working days at which time a mark of zero may be recorded.
- 4 Requirements for student to be awarded a passing grade in the course:**  
To be assured of receiving a passing grade a student must achieve at least 50% of the total weighted marks available for the course.
- 5 Method used to combine assessment results to attain final grade:**  
The final grades for students will be assigned on the basis of the aggregate of the weighted marks obtained for each of the summative assessment items in the course.
- 6 Examination information:**  
This is a restricted examination. Candidates are allowed access to specific materials during the examination. The only materials that candidates may use in the restricted examination for this course are: writing materials (non-electronic and free from material which could give the student an unfair advantage in the examination); calculators which cannot hold textual information (students must indicate on their examination paper the make and model of any calculator(s) they use during the examination). Students are not permitted to take mobile telephones, pagers or other electronic means of communication into the examination room.
- 7 Examination period when Deferred/Supplementary examinations will be held:**  
Any Deferred or Supplementary examinations for this course will be held during the next examination period.
- 8 University Regulations:**  
Students should read USQ Regulations 5.1 Definitions, 5.6 Assessment, and 5.10 Student Academic Misconduct for further information and to avoid actions which might contravene university regulations. These regulations can be found at

<http://www.usq.edu.au/corporateservices/calendar/part5.htm>. Students should also read the Faculty of Business Policies and Procedures which can be found at <http://www.usq.edu.au/business/aboutfob.htm>.

## **ASSESSMENT NOTES**

- 1 Assignments: (i) The due date for an assignment is the date by which a student must submit the assignment to the USQ. (ii) Students must retain a copy of each item submitted for assessment. This must be produced within 24 hours if required by the examiner. (iii) In accordance with university policy, the examiner may grant an extension of the due date of an assignment in extenuating circumstances. (iv) Assignments are to be submitted in the appropriate assignment folders.
- 2 Referencing in assignments: Harvard (AGPS) is the referencing system required in this course. Students should use Harvard (AGPS) style in their assignments to format details of the information sources they have cited in their work. The USQ library provides advice on how to format information sources using this system. Details can be found at [http://www.usq.edu.au/library/help/ehelp/ref\\_guides/harvard.htm](http://www.usq.edu.au/library/help/ehelp/ref_guides/harvard.htm) and [http://www.usq.edu.au/library/help/ehelp/ref\\_guides/harvardonline.htm](http://www.usq.edu.au/library/help/ehelp/ref_guides/harvardonline.htm).
- 3 Course weightings: Course weightings of topics should not be interpreted as applying to the number of marks allocated to questions testing those topics in an examination paper. The examination may test material already tested in assignments.
- 4 Dishonest actions: (i) Any student who is alleged to have performed a dishonest action relating to any assessment in the course will have a course of action taken against him/her as outlined in the academic regulations. (ii) Pieces of assessment should be the work of individual students. Joint pieces of assessment are not permitted unless written approval has been obtained from the examiner. (iii) Dishonest action in relation to assessment includes: copying or attempting to copy the work of others; use of or attempting to use information prohibited from use in that form of assessment; submitting the work of another as your own; consciously committing acts of plagiarism, that is, taking and using another's thoughts or writings as one's own with intent to deceive, which occurs when paragraphs, sentences, a single sentence or significant parts of a sentence which are copied directly, are not enclosed in quotation marks and appropriately footnoted or referenced in the text; direct quotations are not used, but text is paraphrased or summarised, and the source of the material is not acknowledged by footnoting or other reference in the text.
- 5 Deferred work: Students who, for medical, family/personal, or employment-related reasons, are unable to complete an assignment or to sit for an examination at the scheduled time may apply to defer an assessment in a course. Such a request must be accompanied by appropriate supporting documentation. One of the following temporary grades may be awarded: IDS (Incomplete - Deferred Examination); IDM (Incomplete Deferred Make-up); IDB (Incomplete - Both Deferred Examination and Deferred Make-up).

## **OTHER REQUIREMENTS**

- 1 Computer, e-mail and Internet access: Students are required to have access to a personal computer, e-mail capabilities and Internet access to USQConnect. Current details of computer requirements can be found at <http://www.usq.edu.au/ict/students/standards/default.htm>.
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