Description: Financial Institutions Management

<table>
<thead>
<tr>
<th>Subject</th>
<th>Cat-nbr</th>
<th>Class</th>
<th>Term</th>
<th>Mode</th>
<th>Units</th>
<th>Campus</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIN</td>
<td>2109</td>
<td>34152</td>
<td>2, 2004</td>
<td>EXT</td>
<td>1.00</td>
<td>TW MBA</td>
</tr>
</tbody>
</table>

**Academic group:** FOBUS  
**Academic org:** FOB009  
**Student contribution band:** 2  
**ASCED code:** 081101

**STAFFING**

Examiner: David Troedson  
Moderator: William Roome

**REQUISITES**

Pre-requisite: FIN2108

**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; hedging and pricing with derivatives; and international banking.

**OBJECTIVES**

Upon completion of this course students should be able to:

1. discuss strategic management in the financial services industry;  
2. outline the structure of the Australian financial sector and discuss the regulatory environment in which ADIs operate;  
3. read and understand an ADI's financial statement;  
4. apply the key risk and return measures to the examination and evaluation of ADI financial statements and have an understanding of the trade-off between risk and return;  
5. understand the term structure of interest rates and interest rate sensitivity of assets and liabilities, and calculate the duration gap;  
6. demonstrate an understanding of the management of liabilities;  
7. explain liquidity risk and demonstrate an understanding of liquidity management;
8. discuss the types of securities that ADIs invest in and explain how the security portfolio is managed;
9. demonstrate an understanding of how ADIs manage capital;
10. discuss means by which ADIs manage portfolio risk;
11. understand the difference between forwards and futures, and display a working knowledge of each;
12. understand what an option is, and in particular interest rate options, and explain how and why they are used by ADIs; and
13. understand the basics of interest rate swaps and how they are used by banks.

**TOPICS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Weighting (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Introduction</td>
<td>10.00</td>
</tr>
<tr>
<td>2. Understanding Financial Statements of ADIs</td>
<td>7.00</td>
</tr>
<tr>
<td>3. Evaluating Returns, Risks and Overall Performance</td>
<td>10.00</td>
</tr>
<tr>
<td>4. The Yield Curve and Gap Management</td>
<td>10.00</td>
</tr>
<tr>
<td>5. Managing Liabilities</td>
<td>10.00</td>
</tr>
<tr>
<td>6. Managing Liquidity</td>
<td>10.00</td>
</tr>
<tr>
<td>7. Managing the Securities Portfolio</td>
<td>10.00</td>
</tr>
<tr>
<td>8. Managing Capital</td>
<td>10.00</td>
</tr>
<tr>
<td>9. Managing the Loan Portfolio</td>
<td>5.00</td>
</tr>
<tr>
<td>10. Financial Futures and Forwards: Hedging and Pricing</td>
<td>8.00</td>
</tr>
<tr>
<td>11. Interest Rate Options: Hedging and Pricing</td>
<td>5.00</td>
</tr>
<tr>
<td>12. Interest Rate Swaps: Hedging and Pricing</td>
<td>5.00</td>
</tr>
</tbody>
</table>

**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).

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.


STUDENT WORKLOAD REQUIREMENTS:

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>HOURS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment</td>
<td>20.00</td>
</tr>
<tr>
<td>Directed Study</td>
<td>52.00</td>
</tr>
<tr>
<td>Private Study</td>
<td>93.00</td>
</tr>
</tbody>
</table>

ASSESSMENT DETAILS

<table>
<thead>
<tr>
<th>Description</th>
<th>Marks out of</th>
<th>Wtg(%)</th>
<th>Due date</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSIGNMENT</td>
<td>20.00</td>
<td>20.00</td>
<td>27 Sep 2004</td>
</tr>
<tr>
<td>3 HOUR EXAMINATION</td>
<td>100.00</td>
<td>80.00</td>
<td>END S2</td>
</tr>
</tbody>
</table>

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 after the timetable has been finalised.

IMPORTANT ASSESSMENT INFORMATION

1. Attendance requirements:
If you are an international student in Australia you are advised to attend all classes at your campus. Failure to attend may infringe the conditions of your student visa. For all other students, there are no attendance requirements for this course. However, it is the students' responsibility 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: Students must submit an assignment that represents a reasonable attempt as determined by the Examiner and Moderator. Students must obtain at least 50% of the marks available for the examination.

3 Penalties for late submission of required work: If students submit assignments after the due date without prior approval then a penalty of 10% of the total marks available for the assignment will apply for each working day late.

4 Requirements for student to be awarded a passing grade in the course: To be assured of receiving a passing grade a student must attempt all of the summative assessment items, achieve at least 50% in the examination and achieve an aggregated mark of at least 50% of the available weighted marks for the summative assessment items.

5 Method used to combine assessment results to attain final grade: The final grades for students will be assigned on the basis of the weighted aggregate of the marks (or grades) 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 Academic Misconduct for further information and to avoid actions which might contravene University Regulations. These regulations can be found at the URL http://www.usq.edu.au/corporateservices/calendar/part5.htm. Students should also read the Faculty of Business Guide to Policies and Procedures of the Faculty which can be found at the URL http://www.usq.edu.au/handbook/current/buspolproc.html.

ASSESSMENT NOTES

1 Assignments: (i) The due date for an assignment is the date by which a student must despatch the assignment to the USQ. The onus is on the student to provide
proof of the despatch date, if requested by the Examiner. (ii) Students must retain a copy of each item submitted for assessment. This must be produced within five days if required by the Examiner. (iii) If students submit assignments after the due date and wish to claim extenuating circumstances then they shall provide validated documentary evidence with the assignment, explaining the circumstances. The Examiner shall consider the statement accompanying a late assignment and decide on the outcome. (v) Assignments are to be submitted in the appropriate assignment folders.

2 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.

3 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).

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, ie 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.