Course 5A Investment Management and Finance Syllabus

The learning objectives for the units of the course are set below.

An equity thread runs through Units 1, 3 and 4 building from company accounts, one of the raw materials for analysis, to valuations based on the accounts and other information to building equity portfolios.

Unit 2 covers the debt equivalent terrain within a single module, so bears close study as much material is encapsulated there. While the investment world is fast changing as a whole noted earlier, there is some evidence of a fundamental rethinking of the role of debt in Australia at least, not the least because of short supply and low interest rates.

Unit 5 looks at asset allocation, requiring you to think deeply about the issues involved.

Item	Unit/Key Performance Objective/Learning Objective
1	**Analysis of Accounting Information**
1.1	**To accomplish detailed analysis of a company's operations and risk factors based on its financial statements.**
1.1.1	To explain the key accounting concepts as they apply in practice, including the usefulness and limitations of ratio analysis based on a company's accounting statements.
1.1.2	To describe how accounting information can be (at times) manipulated to the detriment of investors
1.1.3	To explain how accounting information is used to value companies in practice, and the relevance of the capital structure (financing) used by a company on its market valuation.
2	**Investing In Debt Securities**
2.2	**To price and value debt securities of varying levels of credit risk.**
2.2.1	To explain the nature of debt securities (including floating rate notes, Commonwealth Government, corporate bonds, asset backed securities and other issuance involving credit risk) and how they are used by issuers as a means of funding;
2.2.2	To critically discuss and apply the issues involved in valuing debt securities in practice.
2.2.3	To build models of the yield curve used by professional investors.
2.2.4	To value debt securities allowing for credit risk, for the current market prices for credit risk, and for various levels of subordination

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2.2.5	To explain and apply the methods used by investors when analysing the creditworthiness of a company.
2.2.6	To explain and account for the issues involved in international debt investment.
3	**The Equity Market and Valuing Companies**
3.3	**To value unleveraged businesses and, by extension, their equity component.**
3.3.1	To discuss the perspective of issuers of equity securities.
3.3.2	To explain the main forms and entitlements of equity financing in Australia including ordinary shares, deferred shares and company options.
3.3.3	To describe the key procedures involved with equity issuance, including underwriting, the ASX, ASIC, rights issues and private placements.
3.3.4	To value a company using the discounted cash flow method, making adjustments for risk, leverage and taxation as necessary.
3.3.5	To assess the shortcomings of DCF methods, and how to apply alternative methods.
3.3.6	To build complex cash flow valuation models for companies, along with projected accounting information.
3.3.7	To describe and critique how valuation and accounting information is used in the context of mergers and acquisitions activity.
3.3.8	To explain the main forms and entitlements of hybrid securities in Australia, including convertible securities and warrants (company options)
3.3.9	To describe the basic principles of option valuation and how these affect the valuation of hybrid securities.
4	**Equity Portfolio Management**
4.4	**To manage a portfolio of equity securities, taking into account theories of returns and risk, and allowing for risk controls.**
4.4.1	To be able to explain the theoretical support for market efficiency – behavioural finance, market anomaly research
4.4.2	To analyse the valuation of stocks on the basis of competitive advantage.
4.4.3	To identify characteristics of individual equity investments that are relevant to portfolio construction
4.4.4	To perform risk and return modelling for equities.
4.4.5	To assess the impact of execution costs on portfolio construction.
4.4.6	To apply quantitative methods to problems of portfolio construction and optimisation.

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4.4.7	To describe the issues relating to turnover, size of funds under management and their impact on style.
4.4.8	To perform performance attribution.
5	**Asset Allocation**
5.5	**To apply financial models to strategic and tactical asset allocation decision making.**
5.5.1	To be able to explain the theoretical support for market inefficiency at the asset allocation level.
5.5.2	To construct stochastic asset return models, recognising the limitations of such models, including unstable correlation matrices and regime shifts.
5.5.3	To integrate stochastic asset and liability models.
5.5.4	To understand the principles of dynamic asset allocation and to describe the principal methods employed when making tactical asset allocation decisions.