



Level 5 Diploma in Finance (530) 147 Credits



Unit: Financial Markets & Investments	Guided Learning Hours: 220
Exam Paper No.: 2	Number of Credits: 22
Prerequisites: Knowledge of accounting and financial terminology.	Corequisites: A pass or higher in BA & Computer Systems or Diploma in Accounting & Finance or equivalence.
<p>Aim: This unit examines the financial markets from both micro and macro perspectives with the aim of answering questions similar to: When traders operate in the financial market, how do they arrive at the transaction prices? How is the traders' dispersed information incorporated into these prices? What determines the liquidity and depth of an asset market? What is the optimal behaviour for traders in financial markets? Why do bubbles and crashes arise? Do the institutional details of the exchange influence this price formation process? If so, how should exchanges and regulators ideally design the rules of trading? Is there a role for market making, should the market be fully transparent, should insider trading be permitted, and are electronic exchanges good or bad for the market? In recent years, financial economists have turned to seriously address these and related questions about the financial markets' micro/macro structures. This unit review the facts on financial markets, present the key theoretical models, and see how the models address the important issues. The development of these three parts will run in parallel throughout the unit. An analysis of the financial instruments (including derivative securities) of both domestic and international institutions of the money and capital markets; plus the operations of financial intermediaries such as commercial banks, savings and loan associations, and insurance and investment companies. It is said that money makes the world go round and, with just a brief examination of the financial markets, it's easy to see why. The global, 24-hour marketplace for currencies, bonds, equities and derivatives, shows staggering sums changing hands between borrowers and investors. And between these borrowers and investors are the various intermediaries, all taking their cut. Learners will understand the characteristics and structure of financial markets, together with the key issues that continue to affect their operation.</p>	
Required Materials: Recommended Learning Resources.	Supplementary Materials: Lecture notes and tutor extra reading recommendations.
Special Requirements: The unit requires a combination of lectures, demonstrations and discussions.	
<p>Intended Learning Outcomes:</p> <p>1 Financial markets and the mechanisms that enable the buying and selling of securities and commodities.</p> <p>2 The Nature and Functions of the Money Market; the broad objectives of the money market and important role to play in the process of industrialisation and economic development of a country.</p>	<p>Assessment Criteria:</p> <p>1.1 Define securities, transaction costs, commodities, efficient market hypothesis and financial instrument.</p> <p>1.2 Define and explain the nature of Capital Markets</p> <p>1.3 Analyse Capital Markets into Primary and secondary and distinguish between them.</p> <p>1.4 Explain instruments traded on Capital Markets such as Stocks(shares), corporate bonds, fixed income products, derivative products</p> <p>1.5 Explain the nature of returns (yields), risks, term structure and security of these instruments.</p> <p>1.6 Analyse the main types of financial markets</p> <p>2.1 Describe the functions and importance of Money Market</p> <p>2.2 Compare and contrast Capital Vs. Money Markets</p> <p>2.3 Outline the importance of money markets</p> <p>2.4 Analyse how money markets keep the world economy moving</p> <p>2.5 Identify and differentiate main participants in the money markets; Retail and Institutional money market funds, Banks, Central Banks, Cash management programs, Arbitrage Asset Backed</p>

	<p>Commercial Paper (ABCP) Conduits, Trusts, Pension Funds, Hedge Funds, Credit Unions, etc.</p> <p>2.6 Identify and differentiate the main Financial Instruments traded in- Banker's Acceptances, Commercial Paper, Certificates of Deposit, Repurchase Agreements, Eurodollar, Municipal notes, Treasury bills etc.</p> <p>2.7 Describe the Terms to maturity, Returns and risk profiles of such Instruments.</p>
<p>3 Other markets in the financial system; regional financial systems and the global financial system.</p>	<p>3.1 Describe Bond, Derivatives Markets- Futures, Options, Swaps</p> <p>3.2 Describe Foreign Exchange Markets.</p> <p>3.3 Describe Commodities Markets.</p> <p>3.4 Describe Insurance Markets.</p> <p>3.5 Describe Cash/ Spot Markets.</p> <p>3.6 Describe the functions of the International Monetary Fund (IMF)</p> <p>3.7 Describe the functions of World Trade Organization (WTO)</p> <p>3.8 Analyse the World Bank</p>
<p>4 Various Financial Instruments in the key areas of primitive securities and financial derivatives, stock investments, bonds or debt securities, Small investors and institutional investors.</p>	<p>4.1 Define financial instrument</p> <p>4.2 Outlines the accounting requirements for the presentation of financial instruments</p> <p>4.3 Describe pricing</p> <p>4.4 Describe yield/ return</p> <p>4.5 Describe credit analysis.</p> <p>4.6 Describe the functions of Financial Institution (FI)</p> <p>4.7 Describe international equipment markets</p>
<p>5 The best investment is in human capital collective skills, knowledge, or other intangible assets of used to create economic value .</p>	<p>5.1 Describe today's investment alternatives</p> <p>5.2 Define indirect investing.</p> <p>5.3 Describe how securities are traded</p> <p>5.4 Explain why investing in the workforce education is one of the greatest investments</p> <p>5.5 Outline the primary purpose of investment</p>
<p>6 Understand how to assess investments using portfolio and capital market theory; including the main assumptions of the capital market theory</p>	<p>6.1 Define investment</p> <p>6.2 Outline the investment process</p> <p>6.3 Describe types of investments</p> <p>6.4 Describe returns and risks from investing</p> <p>6.5 Describe portfolio theory</p> <p>6.6 Describe portfolio selection</p> <p>6.7 Define asset pricing models.</p> <p>6.8 Explain management of investments</p> <p>6.9 Describe the nature of Portfolio Management</p> <p>6.10 Evaluate of Investment Performance</p> <p>6.11 Assess the companies and markets sections a financial paper (e.g. Financial Times)</p>
<p>7. Understand market efficiency hypothesis and strategies used in undertaking investment portfolios.</p>	<p>7.1 Compare <i>passive vs active</i> investment strategies</p> <p>7.2 Analyse the effects of market information</p> <p>7.3 Describe random walk theory</p> <p>7.4 Explain the efficient market hypothesis</p> <p>7.5 Describe Efficient Market Hypothesis (EMH)</p>

8. Understand the concepts of risk and return; including the forces that affect the investors' levels of return	8.1 Define return. 8.2 Describe time value of money 8.3 Describe classifications of return 8.4 Be able to calculate rate of return 8.5 Describe sources of risk 8.6 Calculate risk and expected return
9 The nature and process of financial regulation; the policy framework for effective and efficient financial regulation.	9.1 Describe the purpose of Financial Regulation. 9.2 Identify institutions involved in regulation giving examples of various countries 9.3 Describe the attributes of a well-functioning system 9.4 Describe the functioning of the financial system, its features, and transparency 9.5 Explain how the financial system developments and macroeconomic trends 9.6 Describe market failure analysis operations and efficiency of the financial system and define the key problems 9.7 Outline best collaborative information-sharing, discussion, and analysis among relevant governmental authorities, both domestically and internationally 9.8 Explain the consequences of non-compliance with rules and directives of the regulatory system
Methods of Evaluation: A 2½-hour written examination paper with five essay questions, each carrying 20 marks. Candidates are required to answer all questions. Candidates also undertake project/coursework in Financial Markets & Investments with a weighting of 100%.	

Recommended Learning Resources: Financial Markets & Investments

Text Books	<ul style="list-style-type: none"> • Guide To Financial Markets by Marc Levinson. ISBN-10: 1861979568 • An Introduction to Global Financial Markets by Stephen Valdez. ISBN-10: 0230006353 • Finance and Financial Markets by Keith Pilbeam. ISBN-10: 1403948356
Study Manuals 	BCE produced study packs
CD ROM 	Power-point slides
Software 	None