



BUSINESS SCHOOL  
Te Kura Pakihi

**FINC 411**  
**Financial Risk Management**

**COURSE OUTLINE**

Semester One, 2018

## Contents

Paper Description and Aims .....	1
Learning Outcomes .....	1
Teaching Staff .....	1
Course Delivery.....	1
Expectations and Workload .....	2
Course Learning Resources .....	2
Textbook.....	2
Blackboard.....	3
Student Webmail .....	3
Assessment.....	3
Learning Outcomes.....	4
Quality Assurance .....	4
Grading System .....	4
Dishonest Practice and Plagiarism .....	4
Course Calendar.....	5
Student Learning Support and Information .....	7
Student Charter .....	7
Guidelines for Learning at Otago .....	7
Student Learning Centre .....	7
Library Support.....	7
Māori Student Support .....	7
Pacific Islands' Student Academic Advisor .....	8
Disability Information and Support .....	<b>Error! Bookmark not defined.</b>
Student Feedback.....	8
Class Representatives .....	8
Concerns about the Course .....	8
Disclaimer .....	9

## Paper Description and Aims

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The main aim of the paper is to provide students with a course of quantification and analysis of the market risks facing corporations and financial service firms.

## Learning Outcomes

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Upon successful completion of this paper, you should be able to:

- 1) Develop statistical and financial foundations for the quantification of risk
- 2) Compare and analyse in detail various approaches to market risk measurement
- 3) Apply the VAR systems, from measuring to managing market risk
- 4) To be familiar with the theory and application of financial risk management in corporations

## Teaching Staff

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### Paper Coordinator and Lecturer

Name: Dr. Daisy Chou  
Office: CO3.12  
Email: [daisy.chou@otago.ac.nz](mailto:daisy.chou@otago.ac.nz)  
Office Hours: Monday 4-5pm  
Wednesday 2-4pm

### Lecturer

Name: Dr. Anindya Sen  
Office: CO3.18  
Email: [anindya.sen@otago.ac.nz](mailto:anindya.sen@otago.ac.nz)  
Office Hours: TBC

You should contact Daisy Chou with any administrative enquiries about the paper. Course contents can be discussed in class or during office hours with the lecturer.

## Course Delivery

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Every week students must attend **two** 1 hour 50 minute lectures each week.

**Lectures** present the key conceptual material. Lectures are supported by readings. It will bring the important issues to your attention, and add other information that may not be gleaned from the weekly readings. Lecture times and locations are:

Monday	10:00–11:50	TBC
Wednesday	10:00 – 11:50	TBC

Lecture slides and/or notes will be available on Blackboard and usually in the prior week for students to print out. These are not substitutes for the lecture.

There is no separate tutorials in this paper. However, the practical tutorial is held by the second half of Wednesday lecture time at 11:00 – 11:50 every week. This practical tutorial offer you the opportunity to apply the concepts that you have been exposed in class and use the real examples to demonstrate the practical issues in data analysis.

Additional practice questions will be available on blackboard. These will be available continuously throughout the semester and will give students the necessary practice required to complement the concepts being taught during each week of the semester. The answer of the practical questions will be posted on blackboard one week after the questions released.

**Course Calendar** The course calendar (in this outline) details scheduling information. Note that this calendar may change as the course proceeds. Any changes will be announced at lectures and be detailed on Blackboard.

*Students are expected to prepare for and attend all classes to gain full benefit from the course*

These activities should be prepared for by reviewing information detailed on Blackboard and completing any assigned readings. Students unable to attend a lecture are expected to catch up on missed material. Unless stated otherwise, all aspects of the course are examinable.

## Expectations and Workload

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You should plan to spend 12 hours per week on average on FINC 411. That is eight hours of study outside the classroom per week. This is only a rough guide for time management, and no two students have exactly the same study habits. If you are having difficulties, please seek advice early from your lecturers or class representative as soon as possible. It is better to sort out small concerns before they become big issues! Find some more information about other sources of assistance for you, as listed below under the Student Learning Centre.

## Course Learning Resources

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The first part of the course (Week 1 to 6) – taught by Dr Anindya Sen – will not follow any specific textbook. However, you may still consult the textbook that we offered as certain contents are covered by his teaching materials.

The second part of the course (Week 7 to 13) – taught by Dr Daisy Chou – closely follows the prescribed textbook.

**Textbook**

Prescribed: *Risk Management and Financial Institutions, Fourth Edition. John Hull, John Wiley & Son, (2015)*

Reference: *Value at Risk: The New Benchmark for Managing Financial Risk, Third Edition. Philippe Jorion, McGraw-Hill, (2006).*

You should read the relevant chapter before you come to class. This will greatly improve your understanding.

**Blackboard**

Blackboard <https://blackboard.otago.ac.nz/> provides you with access to course materials, class notices, and additional study resources. Blackboard is used to email the whole class so it is important that you check your student email and *Blackboard* regularly.

Further information about student support, learning support and information, academic integrity and other University resources for students is available on the COMMERCE\_UG\_2017: Commerce Undergraduate Students site on Blackboard.

**Student Webmail**

**IMPORTANT - DO THIS NOW:**

Forward your University email address to an email address that you use regularly as follows:

1. [Log into your StudentMail account](#) using your student username and password.
2. Click **Options >See All Options,**
3. Under **Account,** select either the **Forward your email** shortcut or the **Connected Accounts tab.**
4. At the bottom of the screen, type in the email address you want your email to be forwarded to. You can also choose to have a copy of these emails kept on your StudentMail account, so please check the box if you would like this.
5. Click the **Start forwarding** link at the bottom of the page.

**Assessment**

All material presented is examinable (except where stated otherwise) by assignments, paper presentation and final examination. All important assessment information such as due dates and times, content, guidelines and so on will be discussed at lectures and, where appropriate, detailed on Blackboard. *Students are responsible for ensuring that they are aware of this information, keeping track of their own progress, and catching up on any missed classes.*

There are three types of assessment for this course.

Assessment type	Overall weighting	Due date
Paper presentation	20%	TBC
Project I or Mid-term	20%	TBC

## FINC411 Financial Risk Management

Project II	20%	TBC
Final Examination	40%	Three hour written exam, date and time to be advised

### Learning Outcomes

Learning Outcomes	Project I or mid-term	Presentation	Project II	Final Exam	Total
Develop statistical and financial foundations for the qualification of risk	✓		✓	✓	
Compare and analyse in detail various approaches to market risk measurement	✓		✓	✓	
Apply the VAR systems, from measuring to managing market risk		✓	✓	✓	
To be familiar with the theory and application of financial risk management in corporations	✓	✓	✓	✓	
<b>Total</b>	20%	20%	20%	40%	100%

### Quality Assurance

At the Otago Business School we monitor the quality of student learning and your learning experience. Your assessed work may be used for assurance of learning processes, such as evaluating the level of achievement of learning outcomes, with the aim of improving the quality of our programmes. All material used for quality assurance purposes will be treated as confidential and the outcome will not affect your grades.

### Grading System

The grading scheme used at Otago is:

<p><b>A+</b> 90-100</p> <p><b>A</b> 85-89</p> <p><b>A-</b> 80-84</p> <p><b>B+</b> 75-79</p> <p><b>B</b> 70-74</p> <p><b>B-</b> 65-69</p>	<p><b>C+</b> 60-64</p> <p><b>C</b> 55-59</p> <p><b>C-</b> 50-54</p> <p><b>D</b> 40-49</p> <p><b>E</b> &lt;40</p>
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### Dishonest Practice and Plagiarism

**Students should ensure that all submitted work is their own.** Plagiarism is a form of dishonest practice (cheating). It is defined as copying or paraphrasing another's work and presenting it as one's own. Any student found responsible for dishonest practice in any piece of work submitted for assessment shall be subject to the University's dishonest practice regulations, which may result in serious penalties, including forfeiture of marks for the piece of work submitted, a zero grade for the paper, or in extreme cases, exclusion from the University. The University of Otago reserves the right to use plagiarism detection tools.

Students are advised to inform themselves about University policies concerning dishonest practice and take up opportunities to improve their academic and information literacy. If necessary, seek advice from academic staff, or the Student Learning Centre. The guideline for students is available at this link: <http://www.otago.ac.nz/study/plagiarism/>

The Library resource on ethical use of information is available via this link: <http://oil.otago.ac.nz/oil/module8.html>

## Course Calendar

All information in this draft is subject to change.

Week	Date	Topic	Chapter	Assessments	Lecturer
09	10:00 – 11:50 26 February	Statistical Tools: A Review	Jorion (2006): Ch. 4		Anindya
	10:00 – 11:50 28 February				
10	10:00 – 11:50 5 March	Market Risk measures How trader manage their risk	Jorion (2006): Ch. 1 and 4 Hull (2015): Ch. 8 and 10		Anindya
	10:00 – 11:50 7 March				
11	10:00 – 11:50 12 March	Portfolio Theory	TBC		Anindya
	10:00 – 11:50 14 March				
12	10:00 – 11:50 19 March	Portfolio Theory	TBC		Anindya
	10:00 – 11:50 21 March				
13	10:00 – 11:50 26 March	Portfolio Risk	Jorion (2006): Ch. 7		Anindya
	10:00 – 11:50 28 March				
14					
15	10:00 – 11:50 9 April	Portfolio Risk	Jorion (2006): Ch. 7	Project I or Mid-term exam	Anindya
	10:00 – 11:50 11 April				
16	10:00 – 11:50 16 April	Value at Risk and Expected Shortfall	Hull (2015): Chapter 12	Presentation	Daisy

FINC411 Financial Risk Management

	10:00 – 11:50 18 April				
17	10:00 – 11:50 23 April	VaR: The Historical Simulation Approach	Hull (2015): Chapter 13	Presentation	Daisy
	10:00 – 11:50 25 April	ANZAC day			
18	10:00 – 11:50 30 April	VaR: The Historical Simulation Approach	Hull (2015): Chapter 13	Presentation	Daisy
	10:00 – 11:50 2 May				
19	10:00 – 11:50 7 May	VaR: The Model- Building Approach	Hull (2015): Chapter 14	Presentation	Daisy
	10:00 – 11:50 9 May				
20	10:00 – 11:50 14 May	Backtesting VaR	Jorion (2006): Chapter 6 Hull (2015): Section 12.10	Presentation	Daisy
	10:00 – 11:50 16 May				
21	10:00 – 11:50 21 May	Scenario Analysis and Stress Testing	Hull (2015): Ch. 22	Presentation	Daisy
	10:00 – 11:50 23 May				
22	10:00 – 11:50 28 May	Review		Project II deadline (5pm, 30 May)	Daisy
	10:00 – 11:50 30 May				



# Student Learning Support and Information

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## Student Charter

<http://www.otago.ac.nz/about/otago0005275.html>

## Guidelines for Learning at Otago

<http://hedc.otago.ac.nz/hedc/wp-content/uploads/2012/12/Guidelines-for-Learning.pdf>

<http://hedc.otago.ac.nz/hedc/learning/>

## Student Learning Centre

The Student Learning Centre, which is part of the Higher Education Development Centre, provides learning support, free of charge, to ALL enrolled students. Their services include:

- a workshop programme designed to help students to improve their learning strategies and their generic skills;
- individual assistance with learning issues;
- on-line study skills advice;
- a student leadership programme
- a student-led peer support programme for students of all ages and backgrounds.
- conversational English groups for students from a non-English speaking background

The Centre also provides two very helpful study guides, "Guidelines for Writing and Editing" and "Writing University Assignments" and these are available on the SLC website.

<http://slc.otago.ac.nz/>

## Library Support

The Library website <http://www.otago.ac.nz/library> provides access to resources and services, including group room bookings, library hours and locations, past exam papers, subject guides, article databases and more.

If you need assistance either check out the self-help guides <http://otago.libguides.com/selfhelp>, or ask Library staff at the ground floor service desks, or email [ask.library@otago.ac.nz](mailto:ask.library@otago.ac.nz)

## Kaiāwhina Māori – Māori Student Support

### Rachel Sizemore

Tel +64 3 479 5342 Email [rachel.sizemore@otago.ac.nz](mailto:rachel.sizemore@otago.ac.nz)

Nicola Beatson is the Kaiāwhina Māori in the Department of Accountancy and Finance

Tel 479 8321

Email [nicola.beatson@otago.ac.nz](mailto:nicola.beatson@otago.ac.nz)

Room CO3.32

### **Pacific Islands' Student Academic Advisor**

Warm Pacific Greetings

Talofa lava, my name is Esmay Eteuati and my role is to liaise with Academic Departments and Student Services relating to Pacific students' and their course of study. I support both staff and students in the Business School and have a network of Pacific contacts in other Divisions around the University.

Tel +64 3 479 4756      Email: [esmay.eteuati@otago.ac.nz](mailto:esmay.eteuati@otago.ac.nz)

### **Disability Information and Support**

Students are encouraged to seek support if they are having difficulty with their studies due to disability, temporary or permanent impairment, injury or chronic illness. It is important to seek help early, please contact the Disability Information and Support Office.

<http://www.otago.ac.nz/disabilities/index.html>

## **Student Feedback**

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We encourage your feedback. This can be in the form of contacting staff, participating in course evaluation surveys and communicating with class representatives. Continual improvements will be made to this course based in part on student feedback.

### **Class Representatives**

The class (or student) representative system is an avenue for encouraging communication and consultation between staff and students. It provides you with a vehicle for communicating your views on the teaching and delivery of the paper and provides staff with an opportunity to communicate information and gain constructive feedback from students. It contributes to the development of a sense of community within a department and it adds a further dimension to the range of support services offered to students.

Volunteers for the role of class representatives will be called early in the semester. The OUSA invites all class representatives to a training session, conducted by OUSA, about what it means to be a class representative and some of the possible procedures for dealing with issues that arise. They also provide information on the services that OUSA offers and the role OUSA can play in solving problems that may occur. The OUSA provides support to class representatives during the semester. Departmental staff will also meet with class representatives during the semester to discuss general issues or matters they wish to have considered.

Your class representative's name and contact details will be posted on Blackboard early in the semester.

### **Concerns about the Course**

We hope you will feel comfortable coming to talk to us if you have a concern about the course. The Course Co-ordinator will be happy to discuss any concerns you may have. Alternatively, you can report your concerns to the Class Representative who will follow up with departmental staff. If, after making approaches via these channels, you do not feel that your concerns have been addressed,

there are University channels that may aid resolution. For further advice or more information on these, contact the departmental administrator or head of department.

## Disclaimer

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While every effort is made to ensure that the information contained in this document is accurate, it is subject to change. Changes will be notified in class and via Blackboard. Students are encouraged to check Blackboard regularly. It is the student's responsibility to be informed.