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# Diploma in Accounting and Finance

ASSIGNMENT 4: FINANCIAL ANALYST

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## Assessment Guidelines

Learners must complete the tasks given in the assignment brief. Learners are able to request assistance from tutors about completing the tasks, mark schemes and grade descriptors. Learners are expected to adhere to policies and guidelines set out by the centre which includes word/page/slide count, and plagiarism/collusion.

## Context

Learners are required to refer to the guidance notes and assignment brief in order to present an answer that would fall within the required context.

## Confidentiality

Learners must seek permission and advice when using organisational/business information that would be considered sensitive or confidential within their assignments. **If the organisation's consent is given, and anonymity is a given requirement of the organisation, then the learner must respect this.**

## Assessment Criteria and Mark Sheets

The assignment brief will include the mark scheme along with grade descriptors for learners to refer to if needed. The guidance notes before the assignment questions should be used for reference in order to ensure that learners are equipped with the information and formats required. Learners are requested to obtain necessary advice on assignment context, format and other supporting information to clarify and help understand the requirements.

The assessment criteria and the mark sheets will help learners identify how and where the marks have been allocated and allow them to structure their answers accordingly.

## Tutor Guidance

Learners are allowed **one piece of feedback** for draft answers they present. Any subject-related questions relating to the module can also be directed to the tutor.

## Word Count

It is mandatory that learners adhere to the specified word count given in the assignment brief within a margin of  $-/+10\%$ . For certain tasks, the assignment brief may specify the page count depending on the task requirement, and although a word count may not be applicable for these, the page count must be adhered to at all times. All tables, charts, diagrams, referencing (in-text) will be considered a part of the assignment word count.

**If the task requires learners to make a presentation, the word count will only be applicable to the notes provided.** The assignment questions may also specify the number of slides, in which case the learners are also required to adhere to this.

Any supporting documents used to reinforce the learners answer need to be attached at the end of the report as appendices. Such supplementary material will equip the examiner with the required background knowledge on the information provided within the report. However, these will not be considered for grading nor as part of the word/page count.

All assignments submitted with clear disregard for the stipulated page/word counts may be discounted, and the learner may have to resubmit his/her work for assessment pending revision/review of their work.

## Referencing and Professionalism

To ensure that learners follow a professional stance at all times, they need to:

- Use Harvard referencing for all citations and references (including in-text)

- Use professional, formal English in presenting their work

- Learners must refrain from writing in a first-person perspective (i.e. 'I', 'We', 'Me' etc. should not be used within the answer).

Learners should bear in mind that considerable marks are awarded for format and presentation. Therefore, referencing and professionalism will be assessed in every task.

## Plagiarism and Collusion

Plagiarism and collusion will be considered an academic offence and will be dealt with as a serious issue.

**Plagiarism can be defined as:** the presentation of the work of another author without appropriate referencing and/or attribution (leading to the false assumption that the learner is the originator of the text).

**Collusion can be defined as a circumstance in which:** two or more learners present work with distinct similarities in concept and ideas.

**Learners must have access to valid plagiarism software (i.e. Turnitin) to assess 'similarity index' between their work and work that has been published elsewhere.** This Turnitin report must be submitted along with their final assignment scripts for reference purposes.

Excessive referencing (i.e. where unneeded/irrelevant) will also be considered an academic offence, which will lead to learners being penalised in marks awarded for structure and format of their work or, in serious cases, leading to the work of learners being discounted as unfit for assessment. Such matters will be decided by academic panel.

## Abbreviations Used

FA – Financial Analysts

LO – Learning Outcomes

ACs/ PCs – Assessment or Performance Criteria(s)

## Assignment 4a: Financial Analysis

*Each task in this assignment constitutes 40% of the overall mark. 10% of the overall marks are to be awarded for the application of critical thinking. 10% of the overall marks are to be awarded as indicated by Structure and Format in the Mark Scheme below.*

**You have recently been recruited as a financial analyst at a medium sized organisation. The organisation is seeking to develop offices elsewhere in the country.**

**You are currently undergoing a probationary period. You are expected to use this period to demonstrate your skills as a financial analyst.**

**Your work should include a brief introduction to an organisation of your choice that meets the above requirements.**

### Task 1

Your HR manager has asked you to analyse and explain the regulation of, and procedures relating to, the trading of securities and new issues in the world markets.

- a) Identify the key recommendations and procedures that relate to trading securities for the organisation you are employed by.
- b) Evaluate **TWO** key issues arising in global markets that will impact on your work as a financial analyst for your organisation.

FA – LO 2 (pcs 2.1, 2.2)

### Task 2

Your HR manager also wants to explore your knowledge of the different types of securities, and how you would plan, manage and review client portfolios. She has asked you to develop a short report based on the following tasks.

- a) A corporate client reviewing the management of its pension fund, currently valued at £2.5 million. Evaluate the characteristics of **TWO** suitable types of security and analyse the strengths and weaknesses of each.
- b) Prepare a recommendation for the client about which of the two types of security is most suited to their needs and justify your recommendation.
- c) Explain to the client how the pension fund portfolio would be managed.
- d) Investigate **TWO** issues relating to portfolio management that may impact on the client's portfolio.

FA – LO 1 (pcs 1.1, 1.2, 1.3)

LO6 (pcs 6.1, 6.2, 6.3)

## Assignment Word Count

Report word count: 2000 words

## Assignment 4a: Criteria and Mark Scheme

| Assessment Criteria   | Marks Allocated | Comments   | Mark Given |
|---|-----------------|--|------------|
| <p><b>Task 1: LO2</b></p> <p><b>2.1:</b> Identify the regulations and procedures relating to trading securities.</p> <p><b>2.2:</b> Evaluate issues arising in the global markets including (LSE)</p>   | <b>40</b>       | <p>Forward contracts - description and evaluation. Financial futures - characteristics, operation of futures markets, types of financial future, pricing financial futures. Financial options - characteristics, operation of options markets, types of option, option pricing, warrants and convertibles; regulations regarding trading of securities</p>   |            |
| <p><b>Task 2: LO1</b></p> <p><b>1.1:</b> Identify different types of securities and their characteristics</p> <p><b>1.2:</b> Evaluate the characteristics of each type of security for selected scenarios</p> <p><b>1.3:</b> Critical application of the characteristics to analyse the strengths and weaknesses of different types of securities</p> <p><b>LO6</b></p> <p><b>6.1:</b> Identification of client portfolios according to customer profile</p> <p><b>6.2:</b> Recommend and justify appropriate types of savings and investments.</p> <p><b>6.3:</b> Investigate issues relating to portfolio management.</p> | <b>40</b>       | <p>Bonds: Types and characteristics of bonds; pricing bonds; bond yields; the Term Structure of Interest Rates; theories of the term structure; bond risk - types and measurement.</p> <p>Equities Types and characteristics of equities; summary measures of equity performance; the pricing of equities; equities and risk; evaluation of equities.</p> <p>Synthetic securities - swaps, bundled and unbundled securities.</p> <p>Evaluation of the above for selected scenarios</p> <p>The efficient markets hypothesis, Capital Asset Pricing Model (CAPM) and the Arbitrage Pricing model, hedging and speculation.</p> <p>Portfolio Management</p> <p>Functions of portfolio management; active and passive portfolio management; portfolio performance measurement.</p> <p>Managing Client Portfolios.</p> <p>The Efficient Markets Hypothesis, the Capital Asset Pricing Model and the Arbitrage Pricing Model and their implications for investment strategy and portfolio management</p> |            |
| Application of critical thinking  | <b>10</b>       |  |            |

|   |            |  |  |
|---|------------|--|--|
| Structure and format<br>Relevance to the tasks<br>Use of supporting concepts and frameworks<br>Professional tone and required format<br>Harvard references, including in-text citations | <b>10</b>  |  |  |
| <b>Total Mark</b>   | <b>100</b> |  |  |



## Assignment 4b: Investment Scenarios

*Task 1 constitutes 30% of the overall mark. Tasks 2 and 3 each constitute 25% of the overall mark. 10% of the overall marks are to be awarded for the application of critical thinking. 10% of the overall marks are to be awarded as indicated by Structure and Format in the Mark Scheme below.*

**As the final element of your probationary period, you have been asked to deliver a presentation to the CEO and the HR Manager. Your presentation should consist of slides and supporting notes for the tasks details below.**

**For this assignment, you need to describe two contrasting investment scenarios of your own choice.**

### Task 1

- a) Explain the principles of investment theory using examples from your chosen scenarios.
- b) Critically evaluate the use of securities for **EACH** of your chosen scenarios.
- c) Show how the underlying concepts of market analysis and efficiency could be applied to **ONE** of your chosen scenarios.

FA – LO 3 (pcs 3.1, 3.2, 3.3)

### Task 2

- a) Explain the purpose and characteristics of two different forms of tax that would apply to your chosen scenarios.
- b) Critically evaluate the impact of **EACH** of these forms of tax on your chosen scenarios.

FA – LO 4 (pcs 4.1, 4.2)

### Task 3

- a) Explain **THREE** regulations and the Financial Services industry that would impact on your chosen scenarios.
- b) Evaluate **TWO** risk mitigation methods that could be applied to your investments and ideas.
- c) (Show how each of these methods could be applied to real world scenarios.

FA – LO 5 (pcs 5.1, 5.2, 5.3)

## Assignment Word Count

Maximum 12 slides

Word count for notes of 500 words

## Assignment 4b: Criteria and Mark Scheme

| Assessment Criteria   | Marks Allocated | Comments   | Mark Given |
|---|-----------------|--|------------|
| <p><b>Task 1: LO1</b></p> <p><b>3.1:</b> Identify and explain the principles of investment theory.</p> <p><b>3.2:</b> Critically evaluate the use of securities for selected scenarios</p> <p><b>3.3:</b> Application of the underlying concepts of market analysis and efficiency.</p> | <b>30</b>       | <p>Underlying Concepts and objectives of investment</p> <p>Motives for investment; risk &amp; return; pricing securities; market efficiency.</p> <p>Types and characteristics of different securities</p> <p>Money Market Investments</p> <p>Markets &amp; investors; securities quoted on a yield basis; securities quoted on a discount basis.</p>   |            |
| <p><b>Task 2: LO2</b></p> <p><b>4.1:</b> Identify the range of taxes, their purposes and their characteristics.</p> <p><b>4.2:</b> Critical evaluation of the impact of taxation for selected scenarios</p>   | <b>25</b>       | <p>Definitions and characteristics of Income tax, capital gains tax, inheritance and corporation tax, Wealth taxes? Property taxes, IPO taxes, transfer pricing and taxation, revenue/profit recognition/repatriation and impact of tax liability.</p> <p>Evaluation of impact of taxation (e.g. Piketty's 'Capital in the 21st Century').</p> <p>Effects of taxation on investment decisions.</p>   |            |
| <p><b>Task 3: LO5</b></p> <p><b>5.1:</b> Explain the regulations prevailing in the financial services industry</p> <p><b>5.2:</b> Evaluate risk mitigation methods in investments.</p> <p><b>5.3:</b> Application of the methods to real world scenario examples.</p>                   | <b>25</b>       | <p>Tax avoidance and evasion, tax havens. Regulatory environments, reporting standards and auditing rules</p> <p>Hedging, Arbitrage &amp; Speculation</p> <p>Speculation - nature &amp; objectives, speculation using futures, speculation using options, Arbitrage - nature &amp; objectives, arbitrage using futures; arbitrage using options; Hedging - nature &amp; objectives, hedging risk on individual equities, hedging market risk on equity portfolios, hedging interest rate risk.</p> |            |
| Application of critical thinking  | <b>10</b>       |  |            |
| <p>Structure and format</p> <p>Relevance to the tasks</p> <p>Use of supporting concepts and frameworks</p> <p>Professional tone and required format</p> <p>Harvard references, including in-text citations</p>  | <b>10</b>       |  |            |

|            |     |  |  |
|------------|-----|--|--|
| Total Mark | 100 |  |  |
|------------|-----|--|--|

## Assessment Criteria for all Assessments

| Marks         | Criteria   |
|---------------|--|
| <b>70-100</b> | <p>The answer submitted has an outstanding result with negligible number of mistakes.</p> <p>The answer shows an appreciative level of knowledge and clear understanding of related models, theories and frameworks. Analytical techniques used show the wide area of knowledge the student has.</p> <p>The ability to apply and contextualize the models, theories and frameworks are clearly recognisable.</p> <p>The analysis and the use of research data, as well as the ability to use the data to reach acceptable and accurate conclusions is exceptional.</p> <p>Answers show independent thought and clarity of the student answer has led to an overall focused and evaluative answer.</p> <p>The answer has followed proper Harvard referencing.</p>   |
| <b>60-69</b>  | <p>The answer shows an above average standard with few errors.</p> <p>The answer shows a decent level of knowledge and fairly clear understanding of related models, theories and frameworks. The use of analytical techniques is obvious throughout the answer in a manner that reflects a very good level.</p> <p>The ability to apply and contextualise the models, theories and framework are of a good standard.</p> <p>The analysis and the use of research data, as well as the ability to use the data to reach acceptable and accurate conclusions is above average levels.</p> <p>Answers show independent thought and clarity of the student answer has led to an overall focused and evaluative answer with little inconsistency.</p> <p>The answer has followed proper Harvard referencing.</p>   |
| <b>50-59</b>  | <p>The answer shows an above average standard with errors.</p> <p>The answer shows a general level of knowledge and fairly clear understanding of related models, theories and frameworks. The use of analytical techniques is obvious throughout the answer in a manner that reflects a good level.</p> <p>The ability to apply and contextualise the models, theories and framework are of a reasonable standard. But the link between theory and practical knowledge appears to be restricted.</p> <p>The answer shows more assumptions than conclusive evidences and valid arguments. However, the ability to interpret and evaluate is evident.</p> <p>Answers show independent thought and clarity of the student answer has led to an overall focused and evaluative answer with some inconsistencies.</p> <p>The answer has followed Harvard referencing in the bibliography at an acceptable level.</p> |
| <b>40-49</b>  | <p>There are several shortcomings throughout the answer.</p> <p>The knowledge level reflected in the answer is limited especially in understanding of related models, theories and framework.</p> <p>The case material has been repeated instead of evidencing knowledge.</p> <p>The use of analytical techniques is inadequate.</p> <p>A certain level of relevance is evident in Harvard referencing.</p>  |
| <b>30-39</b>  | <p>Answer submitted is quite weak and lacks proper focus.</p> <p>There are number of poor grammar and spelling errors.</p> <p>The lack of understanding in subject knowledge, related models, theories and frameworks is evident.</p> <p>Contextualisation, interpretation, and evaluation are of a poor standard.</p> <p>Reflects only basic levels of Harvard referencing in the bibliography.</p>   |
| <b>0-29</b>   | <p>Requires more work on answering skills.</p> <p>There is very little evidence of appropriate subject knowledge.</p> <p>The use of models, theories and frameworks is quite poor.</p> <p>The analytical skills and contextualization is almost non-existent.</p> <p>Answer produced has little relevance to the assignment briefs.</p> <p>The overall output is well below the required standard.</p> <p>Considerable amount of work is needed as the overall answer is quite poor and unacceptable.</p>  |

**The overall Pass Mark as agreed by all members of the Centre Assessment and Awards Panel (CAAP) for this Assignment is 40%.**



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