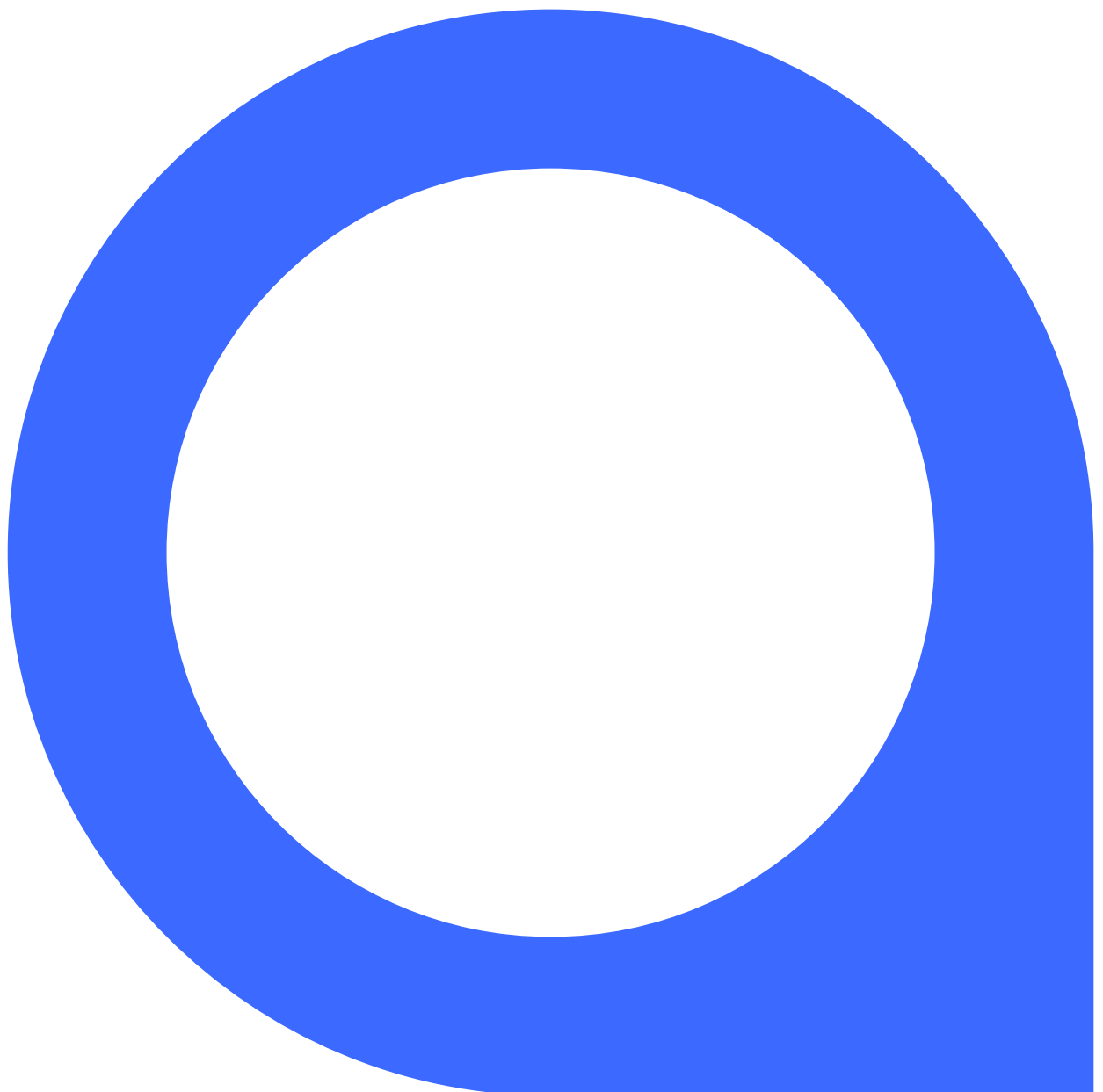


Asset Liability Management

**Assignment Semester 2 2024 –
Feedback for students**





Overview of assignment content

The main purpose of the assignment from your perspective is to help you develop skills required to pass examinations at Actuary level. These skills are required by employers as well. The specific skills that are developed and assessed in the assignment are the:

- acquisition of subject knowledge;
- application of subject material in an unfamiliar context; and
- communication of relevant points in language appropriate to the audience, in a logical and coherent manner.

The assignment is weighted 20% of the available marks for Asset Liability Management. It consists of an invigilated test with a two hour time limit:

- **Part A** (10 marks) 20 multiple choice questions, delivered online via the learning management system (45 minute time limit); and
- **Part B** (10 marks) short answer questions, released via the learning management system (balance of time).

Part A covered content from Chapters 2 through to 7 and Part B Chapters 2 through to 8. All these modules had been discussed in a tutorial before the assignment date. Students were specifically advised that Chapter 8 content would be relevant and it was covered in the tutorial before the assignment date.

Table 1 Assignment questions

| Q | Marks | Learning Objectives/Question |
|--------|-------|---|
| Part A | 10 | 1.1, 1.2, 2.1, 2.2, 2.4, 2.6, 3.1, 3.2, 3.3 All multiple choice questions |
| | | 2.2 Explain how, in the current economic conditions, the US central bank is influencing the rate of money creation and the impact on profit (in USD) of the regional bank. |
| B1 | 3 | |
| B2 | 2 | 2.5 Demonstrate how the profit (in JPY) of the Japanese parent company is affected by exchange rates. |



| Q | Marks | Learning Objectives/Question |
|----|-------|--|
| B3 | 3 | 3.2 Describe how leverage drives the returns and the volatility of returns of the listed equity component of the life insurance company's asset portfolio. |
| | | 4.4 Outline three methods for stabilising the profitability of the US subsidiaries, when reported in JPY, against a depreciation of the USD versus the JPY. |
| B4 | 2 | |

Results summary

Overall students performed well on the assignment with a pass rate of 89% with an average score of 73.5%. A summary of the results is presented in Table 2 Overall results.

Table 2 Overall results

| Grade | Number of students | Percentage of students |
|--------------------------|--------------------|------------------------|
| Significantly above pass | 64 | 43.2% |
| Above pass | 47 | 31.8% |
| Pass | 20 | 13.5% |
| Slightly below pass | 5 | 3.4% |
| Below pass | 4 | 2.7% |
| Significantly below pass | 7 | 4.7% |
| Did not submit | 1 | 0.7% |
| Total | 148 | 100% |



Overall feedback

We expect students to pass the assignment and for a high proportion to perform well because students are given ample time to complete the assignment, even though under exam conditions. Students had up to 45 minutes for 20 multiple choice questions and at least 75 minutes to complete 10 marks of short answer questions (7 minutes per mark). This compares to an exam where students will have three hours to complete 80 marks (approx. 2 minutes per mark).

High scoring Part A answers indicated students that read the question carefully and were across the course materials. Stronger Part B answers were from students that were able to directly apply their knowledge to the scenario and question, drawing out the key relevant points.

It was noted that some students elected to search their subject chapters for material relating to every question. This suggests these students have not invested sufficient time over the first eight weeks of the subject for reading, writing their own notes and learning the materials. This slowed students down and notably some required the entire two hours to complete the assignment or did not finish. In Part B, this lead to students 'regurgitating' course material without thought, leading to long, vague answers rather than concise points directly related to the scenario given.

As noted above, students will not have time in the exam to look up every question and should be prepared to answer from their own notes and recall of the materials. Further, the student must be able to apply their knowledge to the scenario given in the question, that is, think for themselves.

Feedback by question

The average mark was at or above pass level on each part of the assignment.

Students performed well on Part A, the multiple-choice questions, with an average mark of 8.6 (compared with 8.4 for last semester). Eleven questions were answered correctly by over 90% of students. There were five questions that proved the more difficult and less than 75% answered these correctly. They were:

- What is **not** a significant difference between public and private equity, for the ordinary investor;
- What is **not** a significant impediment to constructing an unlisted property benchmark;
- Identify the **incorrect** statement about money;
- The distinction between monetary and fiscal policy; and
- What is **false** about pricing a private equity investment.



Notably four of these involved finding the 'odd one out' that was false or incorrect. It may be students are not reading the question carefully enough and chose instead an answer that was true or correct.

In Part B, most students gave clear and concise answers which related to the scenario given and showed that they had read and understood and answered each of the stated question parts.

Where material was drawn directly from the course materials, it was appropriately edited to draw out the relevant points for the particular scenario and to keep the answer concise.

The students who failed Part B showed some (or more) of the following errors:

- A:
 - Showed little understanding of the situation;
 - Did not reference the USA and/or lack of scenario context in answer.
- B:
 - Lack of explanation;
 - Lack of any numbers to demonstrate the impact.
- C:
 - Copy and paste of material but no real understanding;
 - Vague response.
- D:
 - No valid methods given;
 - No derivative based methods given;
 - Vague response.
- General
 - Incorrect spelling, different fonts, cut and paste without editing (this does not cost marks but makes it difficult for the marker to identify your key points);
 - Lack of explanation;
 - Did not demonstrate any understanding in respect to the question;
 - Misreading the question, leading to irrelevant answer;
 - Using the wrong methods to demonstrate currency exchange rates or derivatives;
 - Incomplete responses.



Key learning points for students

Students are encouraged to:

- read all Chapter materials and prepare their own notes, to understand, remember and be able to recall the key terms and concepts;
- read and understand each question and make sure that it is answered;
- **not rely solely on searching for and pasting in text, as it does not provide the application to the context given in the question and will be too slow for the exam;**
- understand the central role and importance of the command verbs and what they mean and the skill level that they are indicating;
- practice writing skills throughout the semester in order to be able to clearly summarise information, be concise and to the point, whilst completely answering the question, when under time pressure; and
- consider the context given with the question and ensure the answer incorporates what is relevant, as generic answers will not get full marks.

General tips

The following feedback from the assignment has been provided to help you to prepare for the exam.

Fully answer questions

Make sure you answer all parts of the questions. It is important to go back to the questions after you have started writing to ensure you are answering the question asked. Similarly, apply the information provided in the questions.

After you have drafted your answer, it is always a good idea to re-read the question and physically tick off that you have answered all parts of it. You should also make sure you have addressed all areas described in the marking rubric.

Review your work

Given you did not have the time pressure of exams, you were expected to spend some time reviewing your work and making sure your answers were easy to read. A lot of issues around clarity of explanations could have been avoided by proof reading and spending time on clear and concise writing.



Write concisely and clearly

Keep your answers succinct and use dot points where appropriate.

Will we get feedback on our assessment?

Our approach to feedback is for students to receive general feedback, a sample assignment marked as 'significantly above pass level' and the marking guide.

You should review the feedback that is provided as well as the sample assignment and marking guide. Use these to grade the sample assignment and your submission. This will help you to compare the assignments and identify areas where your submission could have been improved.

Our belief is that this active approach to studying will provide you with a deeper understanding of where you need to improve. This is the best way for you to learn about your areas of strength and weakness in your understanding. We do not provide students with individual feedback on their assessments.