THE A.S.I.A. EDUCATIONAL PROGRAMME

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One of the striking features in most industries within recent times has been the growing public demand for, and recognition of, signs of professional competence from those who manage the affairs of others.

The Securities Industry recognises there is a need for a formal entrance standard to ensure that all prospective employees have met a minimum level of competence and have a professional designation to demonstrate this fact. The purpose of this article is to explain to members the rationale behind the S.I.A. educational programme, successful completion of which is now compulsory to obtain the professional credential A.S.I.A.

EDUCATIONAL PROGRAMME

The Institute programme is divided into three distinct disciplines of formal study, individual assignments, and examination process, within an overall framework of Basic and Advanced Sections. This structure was chosen primarily to answer a criticism that parts of the previous course were not relevant to certain sections of the Investment community. Consequently the programme has now been significantly altered in the following way:

(a) Basic Course – all units of which must be completed.
This contains certain general knowledge topics with which all persons involved in investing should have a degree of familiarity. The rationale for this is that many organisations find that when initially hiring junior analysts, advisers or investment personnel, the level of knowledge of these generally leaves much to be desired. Consequently, the Basic Course, which will tend to change only marginally over time is designed for the junior practitioner with limited experience but who is expected to have some knowledge of Accountancy, Economics, Basic Analysis, Portfolio Management, Underwriting, Administration and Professional Conduct.

(b) Advanced Course – an opportunity to specialise.
This section (out of which four units must be successfully completed by A.S.I.A. candidates) was designed for the intermediate or advanced practitioners who must have a deeper understanding and knowledge of issues which affect their profession.

Upon examination of many of the Advanced Units listed below it can be seen that because the body of knowledge is subject to continuous revision, current topics including, inter alia, up-to-date concepts in portfolio management, methods of financing projects, issues that affect security prices, have been included. Thus the programme is constantly being developed to greater levels of sophistication. Also, owing to the vast range and speed of change of knowledge, course graduates are encouraged to continue study through further reading and through applying the knowledge gained through their study. This, it is emphasised, is a process which does not stop upon completion of the programme. Consequently the Advanced Section is one in which students are required to obtain a minimum level of competence, but are then encouraged to read to a deeper level of comprehension.

THE THREE DISCIPLINES

1. Study
The purpose of formal study is to aid candidates to meet the appropriate level of professional competence which is being demanded to an ever increasing extent in the industry.

The study disciplines which Associate Candidates are required to undertake are the product of much careful thought by the Federal Syllabus & Examiners Board. This Board is composed of leading practitioners and/or academics, whose task it is to provide a programme which is meaningful and up-to-date. The Federal Council then approves these disciplines, the current topics of which are printed below.

BASIC COURSE

Unit 1 INTRODUCTION TO THE SECURITIES INDUSTRY
The role of the Stock Exchange in a modern economy; types of securities traded; history and development of Stock Exchanges; their present organisation and administration in Australia. How new securities are brought to the market, listing requirements and the role of the underwriter.

Unit 2 THE LEGAL ENVIRONMENT
Unit 3 PROCEDURES & ADMINISTRATION

Unit 4 PROCEDURES & ADMINISTRATION (Prerequisite Unit 3)

Unit 5 THE LEGAL ENVIRONMENT (Prerequisite Unit 2)

Unit 6 AUSTRALIAN MONEY MARKETS

Unit 7 ECONOMIC ANALYSIS
A brief description of how the economy works and the nature and causes of economic growth and fluctuations. Discussion on International Trade and the Balance of Payments.

Unit 8 STRUCTURE OF AUSTRALIAN INDUSTRY
A mainly descriptive, but partly analytical account of Australian industrial structure, including manufacturing, building and construction, banking, finance and insurance, agriculture and mining.

Unit 9 BASIC ACCOUNTING
Introductory Course on the interpretation of the main accounting reports.

Unit 10 RATIO ANALYSIS (Prerequisite Unit 9)
Detailed analysis of Profit and Loss and Balance Sheet relationships, with interpretation of results obtained.

Unit 11 INTRODUCTORY SECURITY ANALYSIS (Prerequisite Unit 10)
Basic Technical Analysis (Charting) financial mathematics and share valuation methods.

Unit 12 INTRODUCTION TO UNDERWRITING AND PORTFOLIO MANAGEMENT (Prerequisite Unit 11)
Principles of underwriting; introduction to portfolio management.

ADVANCED COURSE
Unit 13 ADVANCED MINING ANALYSIS (Prerequisite Unit 8)
Involves an analysis of mining and metallurgical technology and detailed consideration of occurrence, extraction and use of Australia’s mineral resources, which, together with a synthesis of appropriate accounting, taxation and legal implications, is employed in the valuation of mining stocks.

Unit 14 ADVANCED TECHNICAL ANALYSIS (Prerequisite Unit 11)
Involves a detailed consideration of the major charting techniques, including a formal consideration of the rationale underlying charts, their construction and interpretation.

Units 15 BEHAVIOUR OF SECURITY & PRICES – (Prerequisite Unit 11)
Involves an examination of the behaviour of Australian capital markets and the economic process which generates such behaviour. Heavy emphasis is placed upon available empirical evidence and strongly supports the Efficient Capital Market Theory. The responsiveness of security prices to selected financial decisions by firms and other market participants is also thoroughly investigated.

Unit 17 ADVANCED CORPORATE FINANCE
Involves an in-depth consideration of the sources and uses of funds by Australian public companies. Topics covered include institutional and legal constraints on fund raising, the cost of funds and capital structures, investment evaluation techniques, mergers and acquisitions, and international fund raising and investment.

Units 18 ADVANCED PORTFOLIO MANAGEMENT – (Prerequisite Unit 12)
These subjects explain the concepts and logic underlying modern portfolio management, and fully explore the theory on which it is based and the available empirical evidence on Australian capital behaviour which confirms the theory. Implications of the theory for day to day security analysis and portfolio management are also considered.
Units 20 ADVANCED SCRIP – (Prerequisite & 21 Units 3 & 4)
These subjects involve a detailed consideration of scrip control and office procedures.

2. Individual Assignments
Assignments are required to be completed in Portfolio Management, Underwriting and Mining Analysis and it is considered that this discipline which involves the three processes of –
(a) Detailed research
(b) Presentation of research in a logical form
(c) Supplemeting the research with clearly written argument and recommendations
fulfils a vital part of all analysts' training. Every individual at some stage of his professional development is required to prepare and present reports and this section was designed to give practice in order to master these skills.

3. Examination Process
Perhaps the most controversial section of the programme is that candidates must submit themselves to the rigours of written examination. There are many arguments in condemnation of this method of knowledge testing, not the least being that answers often do not reflect a candidate's full knowledge through time constraints; examinations do not give an indication of future performance; examinations do not distinguish between various levels of competence; examinations cause pressures which are missing from the work environment. Recognising that most of these arguments are valid in certain instances it was decided after much discussion that examinations should nevertheless be conducted. Alternative forms of testing it was agreed were either not appropriate or posed severe administrative difficulties for a national body. Therefore, to respect the previously mentioned short-comings of the examination system it was determined that the pass mark would be kept deliberately low, and candidates who obtained 50% would be successful. Next, in order to refine this system to a certain extent it was decided to grade candidates above this minimum level in order to attempt to differentiate between different abilities.

However, it must be recognised that although a student with a significantly higher grade than others can be argued to have more knowledge, there are no guarantees that he will apply himself in the future. Nevertheless, it has become apparent that over the last few years the candidates who have scored consistently well in the examinations do appear to have a better work record than those who received a low, or marginal pass. Thus it seems that examinations have in most cases been successful in:
(a) failing those students who do not have the minimum level of knowledge.
(b) giving a fairly accurate indication of a person's ability and motivation.

Finally, the examinations are set and marked by practitioners from a variety of Institutions and in the event of an appeal (none has occurred so far) the lecturers and examiners would attempt to be as fair to the candidate as possible based on their knowledge of him, his work, and his contribution throughout the term.

Criticisms of the Programme
There has been some comment in the past that the Programme is either too academic or not academic enough. These criticisms must be answered through the structure of the Federal Syllabus and Examiners Board. Any Institute is organised by members of a profession to serve that profession and the Securities Institute is no exception. Members elect councillors to their State Council, who elect certain of their members to the Federal Syllabus and Examiners Board. It is thus emphasised that the composition of all policy recommending committees such as the Federal Syllabus & Examiners Board is in the hands of the State Councils who are directly elected by members. Consequently it is recognised that the programme is determined and supervised by members who have a deep interest in education and who are elected by the body of the membership. It is suggested therefore that the Programme is the product of persons who are well-respected within the Securities Industry. Thus, although no creation is ever perfect it is recognised that the Programme is the best that can currently be devised to suit the needs of the Securities Industry.

The Future
There has been much hard work undertaken by a dedicated group of practitioners/ academics over the past few years to develop this programme to an extent that all employers will feel assured that persons holding the A.S.I.A. professional credential have indeed reached acceptable levels of competence. However, the Institute accepts that owing to the constantly changing environment there will always be room for adaptation and improvement. Consequently, all suggestions for examination questions, study techniques, articles for study and general improvements are welcome, and should be submitted in writing to the Federal Secretary.