



FACULTY OF
BUSINESS AND ECONOMICS

Unit code: Accg 808

Unit Name: Corporate Finance

Semester Two

Year 2010

Department of Accounting and Finance

**MACQUARIE UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
UNIT OUTLINE**

Year and Semester: 2010 Semester 2

Unit convenor: Siang Chang

Prerequisites: Financial Management or Equivalent

Credit points: 4 Credit Points

Students in this unit should read this unit outline carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult the lecturer.

ABOUT THIS UNIT

The objective of this unit is to explore the theory and application of corporate finance issues at an advanced level, and to equip students with the required depth of knowledge and skill expected of a professional.

The unit will revise basic financial concepts, valuation techniques and topics covered in earlier finance courses. This will prepare the students to learn more complicated theoretical issues and analytical techniques, and enable them to apply their knowledge to a real life corporate finance project.

TEACHING STAFF

Siang CHANG Mobile: 0411 954 519
SiangChang@Bigpond.com

CONSULTATION TIMES

By arrangement via email.

CLASSES

There will be eleven lectures and two exams.

The lectures will be:

Mon Room E4B 314, 2pm to 5pm
Wed Room E4B 314, 2pm to 5pm
Wed Room E4B 314, 6pm to 9pm

PRIZES

Student with the highest overall mark in Corporate Finance will be recommended to receive a prize from the Department of Accounting and Finance

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

ACCG808 Corporate Finance, 2nd Edition (ISBN: 978007028830-0), Custom Publication prepared by Siang Chang

The custom publication is compiled from the chapters as follows:

Principles of Corporate Finance by Brealey, Myers and Allen, McGraw Hill Irwin, 9th Edition-Chapters 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 20, 21, 22 (The contents of these chapters are similar to the equivalent chapters in the Australian edition)

Principles of Corporate Finance by Brealey, Myers, Partington and Robinson, McGraw Hill Irwin, Australian Edition-Chapters 10, 16, 17, 18, 19

The textbook may be purchased from the Macquarie University Co-op Bookshop, and students are advised to buy the book if they require additional reading to improve their understanding of the lectures.

UNIT WEB PAGE

<http://learn.mq.edu.au>

STEPS:

LOGIN

Type in USERNAME and PASSWORD

Click on ACCG808

Students are advised to check the unit website regularly, and ensure that all material posted on the website can be accessed without difficulties. If you are unable to access any of the material on the website, check with your classmates first before notifying your lecturer of the problem.

TECHNOLOGY USED AND REQUIRED

Calculators will be allowed in the exams, and students are advised to bring their calculators to class.

If you are planning to use a programmable calculator, make sure that you erase all manually created programmes and stored information, and ask for permission from the lecturer before using it in the exams.

You are expected to show all workings for your calculations. All calculations should be to two decimal places, and rounding should be left till the end. Excessive and premature rounding will be penalised.

LEARNING OUTCOMES

The learning outcomes of this unit are:

1. To be proficient in financial mathematics
2. To understand basic investment concepts
3. To be competent in the capital budgeting techniques
4. To be competent in project analysis techniques
5. To attain good understanding and application of dividend policy theories
6. To attain good understanding and application of capital structures theories
7. To gain some basic understanding of options

GRADUATE CAPABILITIES

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop the capabilities the University's graduates will need to develop to address the challenges, and to be effective and engaged participants in their world. This unit contributes to this by developing the following graduate capabilities:

1. Discipline Specific Knowledge and Skills
 - to acquire sound working knowledge of corporate finance
2. Critical, Analytical and Integrative Thinking
 - Students are encouraged to go beyond the numbers and identify the practical issues encountered in the real world
3. Problem Solving and Research Capability
 - student must research an Australian company and examine a corporate finance issue that is current and of sufficient complexity.
 - The process of identifying a suitable company allows a student to browse the websites of many companies, and thus exposed the student to many different industries
4. Creative and Innovative
 - The study of the corporate finance issue allows the student the opportunity to come up with some creative and innovative solution by applying the knowledge from the course
 -
5. Effective Communication
 - The project report provides a means of effective communication for the student, as the report will be graded on the way it is structured and argued, using the facts that have been identified.
6. Engaged and Ethical Local and Global citizens
 - The project report could encourage a student to think seriously the role of an engaged and ethical local and global citizens
7. Socially and Environmentally Active and Responsible

- The project report could encourage a student to think about the social and environmental responsibilities of an individual
8. Capable of Professional and Personal Judgement and Initiative
- The knowledge acquired in the course, and the research and completion of the project would develop a student's capability and initiative in exercising the professional and personal judgement
9. Commitment to Continuous Learning
- The in class learning, as well as the project would introduce students to a greater sphere of corporate finance issues, which may in turn open up a new frontier for continuous learning.

TEACHING AND LEARNING STRATEGY

The lecture notes, handouts, some questions and solutions are available at the unit web site. Refer to page 10 of this unit outline for the list of the weekly exercises.

Students are advised to keep up to date with the weekly exercises, at least 50% of the exam questions will be based on these exercises. Suggested solutions may contain error, it is important that students work through the exercises, and examine the solution given. Do not blindly accept the solution, as you are encouraged to challenge the answers. Where there are queries concerning the exercises, students should notify the lecturer via email, or by handing in a list of queries in class. Relevant queries will be discussed in class, and queries related to lectures older than 4 weeks may be ignored.

Problem Set 1-Questions and Solutions from the previous semester are available in the unit website. Students are advised to study the problem set as a Quiz (10%) will be conducted in Lecture 4, and it will be a test of financial mathematics.

The mid-semester exam is conducted during class time, it usually covers all materials from Topic 1 to 10. The final exam covers the remaining materials and is conducted externally by the Academic Program Section. You are strongly advised to sit for the quiz and the mid-semester exam at the class time you have enrolled for, a change of assessment time will be very difficult to arrange. The time and location of the final exam will be announced in the official exam timetable later in the semester.

There will be a project, to be handed in during Lecture 13. The project will require the student to apply the theory and techniques learned in the unit to a real life project. See Attachment 1 for details.

RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

Quiz	10%
Project	15%
Mid-semester examination	35%
Final examination	40%

To pass the unit, you are required to:

1. obtain at least 37.5 out of 75 for the two exams
2. obtain at least 50% for the whole course

	Assessment Task 1	Assessment Task 2	Assessment Task 3
Title/Name	Quiz	Project	Exam
Description	1 hour in class	Full semester activity	MT Exam-2hr 45min in class Final exam-3hr
Due date	Lecture 4	Lecture 13	MT-Lecture 8 Final-To be announced
% Weighting	10%	15%	MT: 35%; Final: 40%
Grading method - marking criteria/ standards	Accuracy and completeness of answers	- Structure of report -Quality and complexity of issue chosen - Standard of argument -Overall presentation	-Completeness of answers -Accuracy of answers -Quality of answers
Submission method	In Class	In Class	MT-In Class Final-External
Feedback	Quiz and result will be returned by Lecture 7	Incorporated in overall mark	MT paper and result will be returned by Lecture 13; final exam result is incorporated in overall mark
Estimated student workload (hours)	5 hours per week	40 hours or more	5 hours per week minimum
Learning outcomes assessed			
1	Required	Some or most of the learning outcomes 1 to 6	Required
2			Required
3			Required
4			Required
5			Required
6			Required
7			Required
Graduate capabilities assessed			
1	Required	Required	Required
2		Required	Required
3		Required	

	Assessment Task 1	Assessment Task 2	Assessment Task 3
4		Required	
5		Required	
6		Required	
7		Required	
8		Required	
9		Required	

Class attendance is recommended but not compulsory. It should be noted some of the assessment material is based on the lecture.

Quiz, mid-term and final examinations are included as assessment tasks for this unit to provide assurance that the student has attained the knowledge and skills tested in the exams.

The only exception to not sitting for the Quiz or the examinations at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to contact the lecturer to arrange for an alternative exam or apply for Special Consideration.

If a Supplementary Examination is granted as a result of the Special Consideration process the examination will be scheduled after the conclusion of the official examination period.

The Macquarie university examination policy details the principles and conduct of examinations at the University. The policy is available at:

<http://www.mq.edu.au/policy/docs/examination/policy.htm>

Late submission of the project is not acceptable. A penalty of 1% per day late (out of the maximum 15%) will be deducted from the mark awarded to the project.

SPECIAL CONSIDERATION

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognizes that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at:

http://www.mq.edu.au/policy/docs/special_consideration/procedure.html

ACADEMIC HONESTY

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim

- all academic collaborations are acknowledged
- academic work is not falsified in any way
- when the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at

http://www.mq.edu.au/policy/docs/academic_honesty/policy.html

GRADING APPEALS AND FINAL EXAMINATION SCRIPT VIEWING

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

http://www.businessandconomics.mq.edu.au/for/new_and_current_students/undergraduate/admin_central/grade_appeals.

DETERMINATION OF OVERALL GRADE

All final grades in the Department of Accounting and Finance are determined by a grading committee and are not the sole responsibility of the Unit Coordinator.

Macquarie University's Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a Standardised Numerical Grade (SNG).

The Standardised Numerical Grade (SNG) is not a summation of the individual assessment components.

To be awarded a specific grade, students are required to perform at an equivalent standard in the final examination and their overall assessment marks in the unit.

Please refer to relevant pages in the Handbook of Postgraduate Studies.

STUDENT SUPPORT SERVICES

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at <http://www.student.mq.edu.au>.

IT CONDITIONS OF USE

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorized coursework for approved units. At all times, student ID cards must be displayed in the locations provided.

Students are expected to act responsibly at all times when utilizing University IT facilities. The following regulations apply to the use of computer labs and online services:

- Accessing inappropriate web sites, or downloading inappropriate material, are not permitted, material that is not related to coursework in units authorized to use these facilities is deemed inappropriate.
- Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may possibly result in criminal proceedings.

Non-compliance with these conditions may result in disciplinary action without further notice.

LECTURE PROGRAM

	WEEK STARTING		TOPIC
LECTURE 1	1 st Aug 2010	Revision of basic financial concepts	1 to 3
LECTURE 2	8 th Aug 2010	Revision of basic financial concepts	4 to 6
LECTURE 3	15 th Aug 2010	Revision of investment decision concepts	7, 8
LECTURE 4	22 nd Aug 2010	Class Quiz Risk and Return	9
LECTURE 5	29 th Aug 2010	Capital Budgeting	10
LECTURE 6	5 th Sep 2010	Project Analysis	11
LECTURE 7	12 th Sep 2010	Dividend controversy	12
LECTURE 8	3 rd Oct 2010 (Note 1)	Mid-Semester Exam	
LECTURE 9	10 th Oct 2010	Debt Policy and taxes	13, 14
LECTURE 10	17 th Oct 2010	Interactions of investment and financing decisions, Valuation	15
LECTURE 11	24 th Oct 2010	Interactions of investment and financing decisions, Valuation	16
LECTURE 12	31 st Oct 2010	Understanding Options	17
LECTURE 13	7 th Nov 2010	Valuing Options Project Due	18

Note 1: 4th Oct 2010 is a public holiday, normal lecture will be held at the same time on that day. An announcement will be made in class and the unit website.

2010S2 Accg808 Exercises

TOPIC		CHAPTER	PRACTICE QUESTIONS
2	BMA	2	11, 13, 14, 19
3	BMA	3	14, 15, 16, 18, 20, 21, 26, 27, 31, 32, 33
4	BMA	4	14, 15, 16, 17
5	BMA	5	16, 17, 18, 19, 22, 26
6	BMA	6	8, 11, 12, 15
7	BMA	7	See Note 1
8	BMA	8	15, 16, 23
9	BMA	9	11, 15, 18, 20, 21, 22
10	BMA	10	9, 10, 15, 19, 20, 21, 22
11	BMA	11	See Note 2
12	BMPR	16	14, 17
13	BMPR	17	4, 5, 11, 13, 14, 15, 18
15	BMPR	19	1, 3, 4, 7, 10, 14, 15
18	BMA	22	11, 12, 13, 14, 15, 16, 17

BMA=Principles of Corporate Finance by Berley Myers and Allen, McGraw-Hill Irwin, 9th Edition

BMPR=Principles of Corporate Finance by Brealey Myers Partington and Robinson, McGraw-Hill Irwin, Australian Edition

Note 1 See Accg808 Site for "Topic 7 Questions" Folder
 Topic 7 Questions A - Q1, Q2
 Topic 7 Questions B - Q5
 Topic 7 Questions C - Q7, Q8
 Topic 7 Questions D - Q13 a, b, c
 Topic 7 BMPR Ch 6 Questions-Q&P7, Q&P8, Q&P9,Q&P11, Q&P17, Q&P18

Note 2 See Accg808 Site for "Topic 11 Questions" Folder
 BMPR Ch10 Questions-Q&P1, 5, 6, 7

ATTACHMENT 1-PROJECT (15%)

DUE DATE: Lecture 13 In Class

OBJECTIVE

TO STUDY VARIOUS CORPORATE FINANCE ISSUES OF A COMPANY LISTED ON THE AUSTRALIAN STOCK EXCHANGE

TASK A

VALUATION

1. Select a company listed on the Australian Stock Exchange, find and download the following data
 - a) Five years of Historical Financial Statements
 - b) Five years of price data for the company – Australian companies ends with .AX (<http://finance.yahoo.com/lookup?s>)
 - c) Five years of All Ordinaries Index data
<http://finance.yahoo.com/q/hp?s=%5EAORD>)
2. Using the data from 1b and 1c, construct a Characteristic Line and determine Beta for the company. Is this Equity or Asset Beta?
3. Rebuild the Five Year Historical Financial Statement, extracting only relevant cashflow data for NPV analysis
4. Forecast another five years of relevant data. You must explain the method you use to derive your forecast data. eg basis of your forecast growth rate, working capital consideration, nominal or real cashflows etc
5. Estimate the WACC for the company. You must explain how you derive the Cost of Equity, Cost of Debt and other components required to work out WACC.
6. Use the forecast data and a Terminal Value at year 5 to estimate the current valuation of your company. Comment on the quality of your forecast data and terminal value.
7. Compare with the price in the market, and offer some explanation of any discrepancy.

SENSITIVITY ANALYSIS

8. Conduct sensitivity analysis on the forecast cashflow. Identify and comment on the sensitive factors affecting the value of the company.

TASK B

CAPITAL STRUCTURE

9. Select up to five other companies in a similar industry as your company, and compare their Capital Structures.
10. Comment on the Capital Structure of your company. You may wish to examine the financial capability of your company, and comment if the Capital Structure is optimal.

DIVIDEND POLICY

11. Using the same companies you have selected in item 9, compare their Dividend Policies.
12. Comment on the Dividend Policy of your company. You may wish to examine the financial capability of your company, and comment if the Dividend Policy is optimal.

Choose either TASK A or TASK B

TASK A

Valuation (10%) – Address points 1 to 7 above

Sensitivity analysis (5%) – Address point 8 above

TASK B

Capital structure (7.5%) - Address points 9 to 10 above

Dividend policy (7.5%) - Address points 11 to 12 above

The report must not exceed 3000 words, and the following format is suggested.

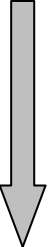
1. Use Portrait orientation
2. Use Times New Roman font, size 12 points
3. Use 1.5 spacing
4. Use A4 paper, single or double sided
5. Staple at the top left hand corner
6. Do not put the report in plastic sleeves or folders

The report must contain the following:

1. Cover page-including Course name, Title of report, Full name and Student ID.
2. Content
3. Executive Summary-A one page summary of the key findings of your research
4. Introduction-Provide a road map of how the report is structured
5. Body-Use as many headings as possible. Do not combine too many issues under one heading
6. Conclusion and Recommendation-This is not a summary, but to state some of the key issues you have found from the research, and any recommendation you may have as a result of your research.
7. Bibliography: You may use any system for referencing, a helpful guide can be found at: http://www.usq.edu.au/library/Breeze/Fac_Business/HarvardAGPS/

ATTACHMENT 2: STRUCTURED OBSERVED LEARNING OUTCOMES (SOLO)

The grading for the project report is based on the following guidelines:

Levels of Understanding	Indicative Verbs	Possible Grades	
Pre-structural	No understanding, Irrelevant information, Misses point	0% to 45%	Surface understanding  Deep understanding
Uni-structural	Identify, Do procedure, Recite, Memorise	50% to 64%	
Multi-structural	Classify, Combine, Describe, List Do algorithms, To enumerate	65% to 74%	
Relational	Explain cause, Integrate, Relate, Compare/contrast, Analyse, Apply	75% to 84%	
Extended Abstract	Generalise, Hypothesise, Theorise, Reflect, Generate	85% and above	