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

**ABOUT THIS UNIT**

The purpose of the unit is:

- to provide students with a knowledge and understanding of the principles and techniques underlying theory and practice in Corporate Finance

- provide students with an understanding of corporate behaviour and the institutional framework which business operates within

- this unit is a prerequisite for many other units at postgraduate level within the Faculty of Business and Economics and provides you with skills in financial modelling and spreadsheet calculations that will be useful in subsequent units.

**Topics covered include:**

- The corporation and other forms of business organisation, and introduction to financial measurement and reporting.
- Valuation concepts: the time value of money, the law of one price, interest rates
- Financial Mathematics: interest rates, present values, future values, annuities, perpetuities
- Valuation and analysis of Debt & Equity Securities
- Methods for Investment evaluation and Capital Budgeting: NPV, IRR, PP
- Financial Markets, Financial Securities: raising finance by issuing new securities
- Risk and Return & the cost of capital
- Capital Structure and Dividend Policy
- Introduction to derivative securities: Forward, Futures and Option Contracts, and applications to corporate finance and International Finance
- Introduction to Risk Management
- Use of **spreadsheets** for financial modelling, calculations and decision making.
TEACHING STAFF

- Tim Kyng, Lecturer in Charge, 98507289, timothy.kyng@mq.edu.au

CONTACTING STAFF

*Students can contact the lecturer in charge via email, or by phone, or in person at E4A614.*

- Consultation times

Consultation is available with students by appointment. Please contact your lecturer to arrange a mutually agreeable time.

You are encouraged to seek help at a time that is convenient to you from a staff member teaching on this unit during their regular consultation hours. In special circumstances, an appointment may be made outside regular consultation hours. Staff will not conduct consultations by email. You may, however, phone staff during their consultation hours.

In order to gain access to staff located at levels 1, 2 and 3 of building E4A during their consultation hours please ring the staff member from the phones available in the lobby (phone numbers of relevant staff members will be provided on Blackboard and are available next to the phones).

- Other ways of contacting staff

The best way to contact the lecturer in charge is by email.

Students experiencing significant difficulties with any topic in the unit must seek assistance immediately.

CLASSES

For campus students:

- A 2-hour lecture will be held each week at E4B 214 on Friday from 2pm to 4pm.
- A 1-hour tutorial / computer laboratory session will be held each week at E4B 214 on Friday from 4pm to 5pm.

For distance students:

- All lecture and tutorial exercises and solutions will be available on iLearn.
- The timetable for classes can be found on the University web site at: [http://www.timetables.mq.edu.au/](http://www.timetables.mq.edu.au/)

PRIZES

- There are no prizes for this unit.
# Required and Recommended Texts and/or Materials

**Textbooks:**


Set chapters for each topic’s lecture are drawn from this text and identified in the lecture topic table below. Students should read these chapters prior to the lecture, so that they are familiar with the material to be covered. This will greatly enhance your learning experience. An additional resource is the textbook webpage that contains solutions for selected end-of-chapter problems, internet exercises, a glossary and other additional information.


**Reference Books:**


This book may be used by students to learn about using excel for the various financial calculations involved in the course, during the tutorial / computer lab sessions.


- The recommended texts can be purchased from the Macquarie University Co-op Bookshop.
- The recommended texts are not available in the Macquarie Library.

# Technology Used and Required

- Students will require access to the internet to download lecture slides and tutorial solutions.
- The textbook also contains applicable online resources that must be accessed by the internet.
- The assignment and most tutorial exercises will require the use of word processing and/or spreadsheet programs.
- In most weeks we will be using excel spreadsheets for the various financial calculations needed. Our classes are held in a computer laboratory and all students will have access to a computer with the required software installed on it.
- Students will be instructed in how to use excel for the purposes of the unit.

# Unit Web Page

- Course material is available on the learning management system (iLearn).
- The web page for this unit can be found at: [URL to be advised]
LEARNING OUTCOMES

The learning outcomes of this unit are:

1. to be able to demonstrate knowledge and understanding of the principles and techniques underlying theory and practice in Corporate Finance and Capital Markets
2. develop expertise in using excel spreadsheet software to build the financial models and perform the calculations for security valuation and corporate decision making
3. demonstrate awareness of different financial instruments and their valuation and usefulness in a Corporate Finance context
4. be able to explain the concepts covered in the course in a clear and concise manner and be able to communicate it to others effectively

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, engaged participants in their world.

This unit contributes to this by developing the following graduate capabilities:

1 Discipline Specific Knowledge and Skills: This knowledge and set of skills is outlined in detail above in the list of topics covered.
2 Critical, Analytical and Integrative Thinking: Students should be able to think for themselves and be able to critique, analyse and integrate information in solving problems and analysing situations arising in a corporate finance context
3 Problem Solving and Research Capability: Students should have the skills to do relevant research and formulate and solve problems relating to corporate finance, including developing spreadsheets for such problem solving.
4 Effective Communication: be able to communicate with both specialist and non specialist audiences about corporate finance and related topics

LEARNING AND TEACHING ACTIVITIES

- The unit is taught via lectures, tutorial exercises and the use of spreadsheet software for implementing models and calculations for the purpose of financial decision making
- Each lecture is self-contained and structured according to the summary provided in the “weekly curriculum” section below. Students are expected to read the relevant chapters prior to the lecture, so that they are familiar with the material to be covered. This will greatly enhance your learning experience.
- Dealing with advanced material in our subject area requires a range of generic skills. This unit aims at developing such skills. The lectures and in particular the assignments and tutorial exercises are tailored to enhance critical analysis, problem-solving and creative thinking, comprehension, computing and writing skills.
• You should take the time to work on the problem sets, since they will tend to be similar in nature to the problems you see on the test and exam. Solutions will be provided for the assigned selected questions.

• We cover many examples of financial valuation and decision making problems and how to solve these using spreadsheets. Our approach is one of learning by example and by practicing using excel to solve financial decision making problems.

**Weekly Curriculum:** All readings relate to course textbook by Berk

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Readings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week 1 Beginning</td>
<td>Introduction to Corporate Finance, and Financial Statement Analysis. Introduction to using spreadsheets for financial Calculations.</td>
<td>Chapters 1, &amp; 2</td>
</tr>
<tr>
<td>27 February</td>
<td>Arborage, the law of one price, the time value of money and interest rates. Introduction to financial mathematics. Spreadsheet implementation of financial calculations.</td>
<td>Chapters 3,4 &amp; 5</td>
</tr>
<tr>
<td>Week 2 Beginning</td>
<td>Valuation methods, financial mathematics, capital budgeting, valuation of bonds and shares. Spreadsheet implementation of financial models and calculations</td>
<td>Chapters 6,7,8 &amp; 9</td>
</tr>
<tr>
<td>5 March</td>
<td>Valuation methods, financial mathematics, capital budgeting, valuation of bonds and shares. Spreadsheet implementation of financial models and calculations</td>
<td>Chapters 6,7,8 &amp; 9</td>
</tr>
<tr>
<td>Week 3 Beginning</td>
<td>Risk &amp; Return (i) – theory</td>
<td>Chapters 10, 11 &amp;12</td>
</tr>
<tr>
<td>12 March</td>
<td>Risk &amp; Return(ii): measurement of return, measurement of risk, estimation of risk and return. Spreadsheet implementation of methods used.</td>
<td>Chapters 10, 11 &amp; 12</td>
</tr>
<tr>
<td>Week 4 Beginning</td>
<td>Mid-Semester Break: 9 April – 20 April</td>
<td>n.a.</td>
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<tr>
<td>19 March</td>
<td>Capital Structure &amp; Payout Policy</td>
<td>Chapters 14-17</td>
</tr>
<tr>
<td>Week 5 Beginning</td>
<td>Raising new capital – Debt &amp; Equity</td>
<td>Chapters 13, 23 &amp; 24</td>
</tr>
<tr>
<td>26 March</td>
<td>Leasing, Valuation with leverage &amp; Capital Budgeting (ii)</td>
<td>Chapters 18 &amp; 25</td>
</tr>
<tr>
<td>Week 6 Beginning</td>
<td>Options, futures, forwards and applications to Corporate Finance,Black Scholes Valuation formulae &amp; spreadsheet implementation.</td>
<td>Chapters 20, 21 &amp; 22</td>
</tr>
<tr>
<td>2 April</td>
<td>Options, futures, forwards and applications to Corporate Finance, Binomial Option Pricing method &amp; spreadsheet implementation.</td>
<td>Chapters 20, 21 &amp; 22</td>
</tr>
<tr>
<td>Week 7 Beginning</td>
<td>Risk Management &amp; International Corporate Finance</td>
<td>Chapters 30, 31</td>
</tr>
<tr>
<td>23 April</td>
<td>Mid semester test</td>
<td>n.a.</td>
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<tr>
<td>Week 8 Beginning</td>
<td>Capital Structure &amp; Payout Policy</td>
<td>Chapters 14-17</td>
</tr>
<tr>
<td>30 April</td>
<td>Raising new capital – Debt &amp; Equity</td>
<td>Chapters 13, 23 &amp; 24</td>
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<tr>
<td>Week 9 Beginning</td>
<td>Leasing, Valuation with leverage &amp; Capital Budgeting (ii)</td>
<td>Chapters 18 &amp; 25</td>
</tr>
<tr>
<td>7 May</td>
<td>Options, futures, forwards and applications to Corporate Finance,Black Scholes Valuation formulae &amp; spreadsheet implementation.</td>
<td>Chapters 20, 21 &amp; 22</td>
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<td>Week 10 Beginning</td>
<td>Options, futures, forwards and applications to Corporate Finance, Binomial Option Pricing method &amp; spreadsheet implementation.</td>
<td>Chapters 20, 21 &amp; 22</td>
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<tr>
<td>14 May</td>
<td>Risk Management &amp; International Corporate Finance</td>
<td>Chapters 30, 31</td>
</tr>
</tbody>
</table>
RESEARCH AND PRACTICE

- This unit gives you practice in applying research findings in your assignments
- This unit gives you opportunities to conduct your own research

RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

A one hour multiple choice test will be conducted in week 4. The purpose of this test is to allow students to assess their progress and identify those students that are struggling with the subject matter. Where students are identified as being at risk they shall be invited to meet with their lecturer to discuss actions that will be implemented to address any issues. This test will not count for assessment purposes.

<table>
<thead>
<tr>
<th>Description</th>
<th>Assessed coursework</th>
<th>Case study</th>
<th>Assignments</th>
<th>Class test</th>
<th>Final exam</th>
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<tbody>
<tr>
<td>Due date</td>
<td>In last lecture</td>
<td></td>
<td>Assignment 1: Available Week 4</td>
<td>Week 7</td>
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<td>Assignment 2: Due Week 7 Available week 8</td>
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<tr>
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<td>Multiple choice and written answers</td>
<td>Against assessment criteria, analysis, judgement, recommendations</td>
<td>Against assessment criteria, analysis, judgement, recommendations</td>
<td>Multiple choice and written answers</td>
<td>Multiple choice and written answers</td>
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<tr>
<td>Submission method</td>
<td>In class, during last lecture</td>
<td>Email to lecturer in charge</td>
<td>In class</td>
<td>In Class Exam</td>
<td>Centrally conducted Examination</td>
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<td>Feedback (type, method, date)</td>
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<td>Assignments and comments returned to students</td>
<td>Assignments and comments returned to students</td>
<td>Exams returned to students</td>
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<td>Estimated student workload (hours)</td>
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<th>Description</th>
<th>Assessed coursework</th>
<th>Case study</th>
<th>Assignments</th>
<th>Class test</th>
<th>Final exam</th>
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Extension requests: these should be discussed with your lecturer including reasons for the request.

Late submissions: depending on the reason given for the lateness and whether or not the solutions have been made publicly available, late submissions may or may not be accepted. If accepted a penalty for lateness usually won’t be applied.

A final examination is included as an assessment task for this unit to provide assurance that:
  i) the product belongs to the student and
  ii) the student has attained the knowledge and skills tested in the exam.

A 3 hour final examination for this unit will be held during the University Examination period.

The University Examination period in First Half Year 2012 is from 20 June to 30 June.

You are expected to present yourself for examination at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations.

http://exams.mq.edu.au/

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. The University’s policy on special consideration process is available at http://www.mq.edu.au/policy/docs/special_consideration/policy.html

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. (Individual Faculties may wish to signal when the Faculties’ Supplementary Exams are normally scheduled.)

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

**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](http://www.mq.edu.au/policy/docs/academic_honesty/policy.html)

### Grades

Macquarie University uses the following grades in coursework units of study:

- HD - High Distinction
- D - Distinction
- CR - Credit
- P - Pass
- F - Fail

Grade descriptors and other information concerning grading are contained in the Macquarie University Grading Policy which is available at: [http://www.mq.edu.au/policy/docs/grading/policy.html](http://www.mq.edu.au/policy/docs/grading/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.


### Special Consideration

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises 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/policy.html](http://www.mq.edu.au/policy/docs/special_consideration/policy.html)

### Student Support Services

Macquarie University provides a range of Academic Support Services. Details of these and other services for students can be accessed at [http://www.student.mq.edu.au](http://www.student.mq.edu.au).
[Individual Unit Convenors may wish to add Unit/ Faculty specific support eg BESS, Room, PAL, E4B Consultation Room.]

**IT CONDITIONS OF USE**

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

Students are expected to act responsibly when using University IT facilities. The following regulations apply to the use of computing facilities and online services:

- Accessing inappropriate web sites or downloading inappropriate material is not permitted. Material that is not related to coursework for approved units 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 result in criminal proceedings.

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

Students must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.