



**ACCG 253 Financial Management  
Unit Outline  
Semester 2, 2004**

Department of Accounting and Finance  
Macquarie University

## 1. Objectives

This introductory unit in corporate finance focuses on the financing and investing decisions made by the finance manager of an organisation. While the emphasis is on the theory of the firm, students are given some exposure to current issues affecting corporate finance in Australia.

Satisfactory completion of the unit will equip students with a grasp of the following principles of financial economics: the relation between risk and expected return, the time value of money and valuation of securities via discounted cash flows. The unit also provides an introductory coverage of derivative securities and no arbitrage valuation.

The unit provides a standalone introduction to finance for students not planning to continue with study in the area. For students intending to further their study of finance, the unit provides a conceptual basis needed for more advanced units. Analytical, quantitative and generic skills are emphasised.

## 2. Pre-requisites

*The pre-requisites for ACCG 253 are:*

ACCG101 or ACCG105;  
ECON 111 or BBA103;  
STAT170 or STAT171;  
ACST101;  
27 credit points.

## 3. Faculty

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### Lecturer in charge:

Mr Philip Sinnadurai, Office: C5C427, Ph: 9850 7171,  
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### Other Lecturers:

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Ms Roslinda Lim, Office: C5C420, Ph: 9850 9173,  
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Mr Nidal Danoun, Part-time member of staff,  
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### **Unit Administrator:**

Mr Alex Proimos, Office: C5C418, Ph: 9850 7179,  
e-mail: [aproimos@efs.mq.edu.au](mailto:aproimos@efs.mq.edu.au)

## **4. Prescribed Text**

Peirson, G., R. Brown, S. Easton and P. Howard, *Business Finance*, Eighth edition, McGraw-Hill, 2002.

## **5. Assessment**

The assessment for the unit will comprise the following components:

Tutorial Participation and Attendance	10%
Mid-Semester Test	30%
Final Examination	60%

### ***Tutorials and Tutorial Assessment***

Tutorials commence in the second week of the semester. Late allocations and tutorial changes will be dealt with via the Student Information System. Changes will be permitted until the end of the third week of semester. After this date, requests for changes must be accompanied by documentary evidence of an emergency and should be delivered to the Unit Administrator via email.

Tutorial assessment will be based on tutorial attendance, participation and a satisfactory attempt at the weekly assignments. You must attend your assigned tutorial class. A student may miss at most two (2) tutorials without prior permission from the tutor.

### ***Mid-Semester Test***

There will be a 90-minute Mid-Semester Test, based on the topics covered during lectures 1 to 6 inclusive. It will be held on Friday 8 October at 3pm. Further details, such as allocation of students to venues will be announced on the unit's WWW page during the intra-semester recess. The format of the exam is short answers and some calculations.

The purposes of the Mid-Semester Test are primarily to provide students with feedback, and secondarily to be an assessment task. Hence, attendance is mandatory. Absence will result in a mark of zero (0), unless an Advice of Absence form is

submitted, with appropriate documentation and explanation. If your absence is caused by illness, a completed Professional Authority form must accompany the Advice of Absence form. All non-attendees (with a valid and properly documented reason) will have the weight of their Mid-Semester Tests carried forward to the Final Examination.

The test papers (answer sheets) will be returned to students after the tutors have marked them. Disputes regarding the marks awarded must be resolved with tutors within two (2) weeks after receipt of the papers. Request for revision of marks, or remarking of papers will not be accepted after this period.

### ***Final Examination***

The final exam will be a comprehensive three (3) hour paper, which will include written and multiple-choice questions. You must attend the examination, unless clearly prevented from doing so by illness or misadventure. Students in the latter category should apply for Special Consideration. (Refer to Section 10 of this Outline.) A student must pass the Final Examination in order to obtain a passing grade for the unit.

### ***Grading System***

Please refer to the following table for information regarding the grading system. Note that your "SNG" will not be the same as the total of the marks that you achieve for the four assessment components in this unit. The former will reflect your relative ranking within the grade you achieve, and is intended to provide additional information on your overall performance in the unit.

<u>Grade</u>	<u>SNG</u>	<u>Description</u>
HD High Distinction	85-100	Denotes performance which meets all unit objectives in such an exceptional way and with such marked excellence that it deserves the highest level of recognition.
D Distinction	75-84	Denotes performance which clearly deserves a very high level of recognition as an excellent achievement in the unit.
CR Credit	65-74	Denotes performance which is substantially better than would normally be expected of competent students in the unit.
P Pass	50-64	Denotes performance which satisfies unit objectives.
PC Conceded Pass	45-49	Denotes performance which meets unit objectives only marginally.
F Fail	0-44	Denotes that a candidate has failed to complete a unit satisfactorily.
FA Fail Absent	0-44	Denotes that a candidate has failed to complete a unit satisfactorily and was absent from a compulsory final examination.

The descriptions of the grades have been taken from Bachelor Degree Regulation 10 (2). This is outlined on p.88 of the 2004 Handbook of Undergraduate Studies. Further information regarding the grading system and SNGs may be obtained from p.40 of the 2004 Handbook of Undergraduate Studies.

## 6. Calculators

Non-programmable calculators without text storage capability may be used in the Mid-Semester Test and the Final Examination.

## 7. Dictionaries

You are not permitted to use any dictionaries of any kind during the Mid-Semester Test and Final Examination.

## 8. Website

The website for this unit can be found at [www.accg.mq.edu.au/html/undergrad.html#253](http://www.accg.mq.edu.au/html/undergrad.html#253) . This site contains:

- A copy of this unit outline
- Unit Announcements
- Access to an outline of the lecture content for each week, released at the beginning of the week.

## 9. Lecture Locations

**Day:** Monday 8-10 am in W5B Macquarie Theatre and Wednesday 4-6 pm in W5A Price Theatre.

**Evening:** Friday 6-8 pm in W5A Price Theatre.

Attendance at lectures is not compulsory, but highly recommended.

## 10. Plagiarism

Plagiarism is an offence, and taken very seriously by the University. Please refer to the document “Cheating and Plagiarism” linked to the home page of the Division of Economics and Financial Studies, [www.efs.mq.edu.au/ugrad.html](http://www.efs.mq.edu.au/ugrad.html).

## 11. Special Consideration

Students having difficulty meeting the unit requirements owing to illness or misadventure may consider applying for Special Consideration. If you are in this situation, you need to read pp. 37-38 and 40 of the 2004 Handbook of Undergraduate Studies for discussions of “Unavoidable Disruption” and “Special Consideration” respectively.

## 12. Advice on How to Study for the Unit

The pre-requisites of Introductory Statistics and Techniques and Elements of Finance are particularly important. Students may need to revise the sections of these units relating to basic univariate and bivariate statistics, and basic financial mathematics in order to understand key topics in ACCG253.

For success in the unit, it is critical to keep abreast of the readings and other materials. You will need to purchase the textbook, and obtain a hard copy of the lecture notes prior to the lecture for each week. It is recommended that you consult the unit website on a weekly basis to remain informed of announcements.

A common mistake is to treat the theory and calculations as separate components of the unit. It is more appropriate to recognise that these aspects are related, and that an understanding of the theory will better equip you to perform the calculations.

From past experience, students who perform poorly in most aspects of the unit need to study more thoroughly. It is insufficient merely to underline and highlight sections of the lecture notes and textbook. After reading these materials, it is suggested that you produce your own written summaries, and attempt all of the tute questions before the relevant class. Then, after the class, re-do the tute assignment on your own. Understanding is likely to follow after you have applied these steps.

Work of this nature should be undertaken throughout the semester. Prior to the exam, work through the lecture examples and self-test questions in the textbook in a graded manner (i.e., starting with the easiest questions, and progressing to the most difficult). Then, update your notes with the concepts learned from these examples.

Students' attention is drawn to the MaxMark facility. This is a WWW-based revision tool. Instructions for using MaxMark are provided in the card attached to each copy of the textbook. It is recommended that the facility be used for general revision, prior to the examination, or after completing the relevant tutorial work for a topic. MaxMark is intended as a complement to, rather than a substitute for the steps outlined above.

It is very common for students to experience problems of a personal nature during the course of their studies. If you are in this situation, you may wish to avail yourself of the University Counselling and Health Services.

## WEEKLY LECTURE AND TUTORIAL PROGRAM

WEEK	TOPIC	READING	LECTURER	TUTORIAL ASSIGNMENT (due the following week)
1 2 August	Introduction	Ch. 1, 2 and 3	Philip	Chapter 1 Questions: 1.1 and 1.2  Chapter 2 Questions: 2.1 and 2.3 Problem 2.1  Chapter 3 Question 3.1 Problem 3.15
2 9 August	Valuation, Financial Statements and Cash Flows	Ch. 4	Philip	Questions: 4.1 and 4.4; Problems: 4.1 (students are not required to calculate the implied real interest rate), 4.3 and 4.4
3 16 August	Project Evaluation	Ch. 5 and 6	Roslinda	Chapter 5 Question 5.4 Problems: 5.4 (Students are also required to calculate the "cross-over" rate of the two projects.) and 5.7 (Students are required to calculate the accounting rate of return, the payback period and the discounted payback period only, for each of the two scenarios.)  Chapter 6 Question 6.2 Problems: 6.1 (Assume the new machine has zero scrap-value at the end of its useful life.) and 6.10
4 23 August	Portfolio Theory and Asset Pricing (1)	Ch. 7	Ryle	Problems: 7.1 and 7.3  From RWJ: 9.10, 9.14, 10.3 and 10.5.
5 30 August	Portfolio Theory and Asset Pricing (2)	Ch. 7	Ryle	Problems: 7.4, 7.5, 7.6, 7.7 and 7.8  From RWJ: 10.7, 10.18 and 10.35



**WEEKLY LECTURE AND TUTORIAL PROGRAM**  
**[CONT'D]**

<b>WEEK</b>	<b>TOPIC</b>	<b>READING</b>	<b>LECTURER</b>	<b>TUTORIAL ASSIGNMENT (due the following week)</b>
6 6 Sept.	Cost of Capital and Taxation Issues in Project Evaluation	Ch. 15	Nidal	Chapter 15 Questions: 15.1, 15.4, 15.7 and 15.11. Problems: 15.1 and 15.4.
7 13 Sept.	Capital Market Efficiency	Ch. 17	Ryle	Tute Questions: 17.1, 17.3, 17.4, 17.10, 17.12 and 17.15  Additional Questions: 17.2, 17.11 and 17.14
20 Sept. to 1 Oct.	<b>MID-SEMESTER BREAK</b>			
8 4 October	No lectures. The mid-semester test will be this week, on Friday 8 October from 3-5pm.			
9 11 October	Introduction to Derivative Securities	Chs 18 and 19	Ryle	Chapter 18 Questions: 18.1 and 18.2 Problems: 18.2 and 18.3  Chapter 19 Questions: 19.1 and 19.2 Problems: 19.5 and 19.6

**WEEKLY LECTURE AND TUTORIAL PROGRAM**  
**[CONT'D]**

<b>WEEK</b>	<b>TOPIC</b>	<b>READING</b>	<b>LECTURER</b>	<b>TUTORIAL ASSIGNMENT (due the following week)</b>
10 18 October	Capital Structure	Chs 13 and 14	Roslinda	Chapter 13 Problem 13.1  Chapter 14 Questions: 14.2 and 14.6  Other questions tba in the lecture
11 25 October	Dividend Policy	Ch.12 and supplementary readings tba	Philip	Chapter 12 Questions: 12.2, 12.4 and 12.14 Problem 12.5  Supplementary Question tba
12 1 November	Working Capital Management	Ch. 22  Sections 23.2 – 23.6.3 of Chapter 23  Sections 24.1 – 24.3 of Chapter 24  Sections 25.1 and 25.2 of Chapter 25	Philip	Chapter 22 Question 22.3  Chapter 23 Question 23.1 Problem 23.2  Chapter 24 Problem 24.1  Chapter 25 Problem 25.2
13 8 November	Revision and Pre-Exam Advice		Philip	

## NOTES

- ❖ All questions and problems are from the prescribed textbook unless advised otherwise. The additional questions will be available on the WWW well in advance of the relevant week.
- ❖ RWJ refers to Ross, S., Westerfield, R and J. Jaffe, 2001, *Corporate Finance*, Sixth Edition, McGraw-Hill Irwin.

