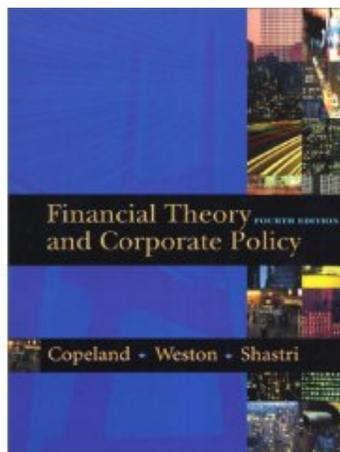




**ACCG 353
CORPORATE FINANCIAL DESIGN**

**UNIT OUTLINE
2nd SEMESTER 2007**



**DEPARTMENT OF ACCOUNTING & FINANCE
DIVISION OF ECONOMIC & FINANCIAL STUDIES**

Unit description

Most students who take ACCG 353 Corporate Financial Design will recently have completed ACCG 253 Financial Management. In ACCG 253 students were introduced to the fundamentals of Corporate Finance. These fundamentals were examined within a static framework, assuming that a number of key variables are constant. In ACCG 353 these assumptions about key variables are relaxed so that investment and financing decisions can be examined within a dynamic framework.

In a dynamic environment the decision to invest in a project is much more complex than a simple NPV analysis makes it appear. For example, a company might invest in a negative NPV project if that investment provides it with a strategic advantage when future opportunities arise. In modern corporate finance the search for, and creation of, opportunities is leading to a mix of both quantitative and strategic analyses.

ACCG 353 challenges the student to consider a comprehensive set of factors that influence organisations in their payout, investment and finance decisions. The decision might reflect the personality of a CEO, the composition of competitors, expectations about fluctuations in the economy etc. In this sense, students in ACCG 353 need to be able to appreciate the differences between theory and practice. Further, students are encouraged to read academic and professional finance journals and the business sections in the daily press. For example, the Australian Financial Review (AFR) is a rich source of information on factors that influence payout, investment and finance decisions of corporations.

Learning Outcomes

By the end of ACCG 353 students should understand the following corporate finance issues:

- The theoretical and practical implications of the multi-faceted nature of risk.
- Combining different facets of risk using portfolios, derivatives and options, and the pricing of these instruments.
- The different issues (including flexibility) to be considered, and the different approaches (including real options) available, in valuing risky projects.
- Issues in determining capital structure.
- Theory and methods in assessing the costs and benefits of mergers and acquisitions.
- The link between corporate governance and finance.

Further, the course should help students develop the following generic skills:

- Familiarity with the language of finance.
- Ability to think at the abstract level required in finance.
- Capacity to select/modify techniques to overcome limited information.
- Capacity to critically comment on events reported in the financial press.

Pre-requisite

The pre-requisite for this unit is ACCG 253 Financial Management with a minimum of a "Pass" grade.

Faculty

Dr. Edward Watts	[EW]	Lecturer-in-charge	E4A227	Ph: 9850 8533
Dr. Mehdi Sadeghi	[MS]	Lecturer	E4A514	Ph: 9850 8527
Mr. Toomas Truuvert	[TT]	Lecturer	E4A228	Ph: 9850 8524
Ms Roslinda Lim		Unit Administrator	E4A522	Ph: 9850 9173

Consultation times will be posted on WebCT. Consultation is only available for clarification of material covered in lectures and tutorials, and where the student has attended the relevant session. Note that to access staff on the 2nd and 3rd levels of E4A then you need to ring the staff member in order for them to open entry to the offices (there is a house phone in the foyer of both levels).

Lectures

Lectures are conducted in two strands:

- | | | | | |
|--------------------------|---------|----------|---------------|---------|
| <input type="checkbox"/> | Evening | Monday | 18:00 - 20:00 | W5A: T2 |
| <input type="checkbox"/> | Day | Thursday | 13:00 - 15:00 | X5B: T1 |

Prescribed text

Copeland, Weston, and Shastri (2005) "Financial Theory and Corporate Strategy". (4th ed), Pearson Addison Wesley. [Note that the Text comes shrink wrapped with the Solutions Manual].

All other readings will be available in PDF form through WebCT and in hardcopy through ERIC.

Unit WebCT site

All course materials and announcements will be available through the unit's WebCT site at <http://online.mq.edu.au/public/ACCG353>. Therefore, it is essential that students access the unit site regularly. Students with login difficulties should contact the IT support staff on Level 1 of the library. Lecture notes and material relating to tutorial exercises will be available through a staged release.

Assessment

Tutorial attendance	5%
Tutorial Collections (3 x 3%)	9%
Major assignment	10%
During-semester test	6%
End-of-semester (final) examination	70%

Tutorials and tutorial work

Tutorial changes should be done through the central enrolment system, using e-student. Students enrolled in the Unit, but not allocated to tutorials will be automatically assigned to a class at the end of Week 2. Where a student needs guidance or assistance in getting into a tutorial, then he/she should contact the Unit Administrator, Roslinda Lim.

Students will lose 1 mark for each tutorial missed (to a maximum of 5 marks), unless they provide medical or related documentation supporting the absence. Students will be informed of missed tutorials via “My Grades” in WebCT.

During semester if a student can not attend is/her allocated tutorial in one week and attends an alternative tutorial, in order to get credit for his/her attendance then the student must:

- 1) get his/her work signed by the tutor of the tutorial attended; and
- 2) present this to their allocated tutor by the next week.

Signed tutorial exercises that are more than two weeks old may only be accepted at the tutor’s discretion. Students that regularly attend alternative tutorials, instead of their assigned class, should not expect a high mark for the tutorial based assessment components.

Solving a problem in finance often involves the skill of choosing between alternative methods. This skill might draw on several different areas of knowledge within finance, and is difficult to develop. For this reason, Copeland, Weston, and Shastri recommend that students should be given access to the solution manual.

What then should student’s tutorial work look like – there is no point in simply copying the suggested solution. To assist students in this matter a Solution Template will be provided for some of the tutorials. Where templates are to be provided, the Templates will be made available via WebCT in the week prior to the related tutorial. Students are expected to print out the Template and in their own handwriting are expected to fill in the template. Students who fill in the template by typing will receive zero marks for the work.

There will be three collections of student tutorial work: semester weeks 2 – 4 will be collected in week 4; weeks 5 – 9 will be collected in week 9; and weeks 10 – 12 will be collected in week 12. Each collection must have the cover sheet as provided on WebCT.

Major assignment

The major assignment is a research exercise, and its aim is to get students to read widely and to think creatively about finance topics which have received significant media attention. The topic is as follows:

“Finance is interested primarily in the identification, measurement, and pricing of risk. Discuss the identification, measurement, and pricing of risk in the following two areas:

Section A: A carbon trading market

Section B: Building a water desalination plant

Each Section should be no longer than 5 pages (A4, single-sided, 12 point Arial font, double-spaced lines) with a 6th page containing the bibliography. All references in the bibliography should be mentioned in the body of the Section.

A cover sheet for the assignment will be released via WebCT. The assignment will be due **by 6pm on Monday 8th of October** at ERIC. Assignments handed in late will lose 20% for each day late.

The University policy on cheating and plagiarism applies in this unit. The policy can be accessed through the University's home page. Students are advised to read the policy, which can be located at:

<http://www.student.mq.edu.au/plagiarism/>

During-semester test

Details relating to the during-semester test will be released via WebCT. The test will be online, one hour in length, and will be of a multiple choice format covering the topics up to and including Chapter 14 “Valuation and Tax Policy”. The online test will be on **Saturday the 20th of October, at 10am +- 20 minutes.**

End-of-semester (final) examination

The end-of-semester (final) examination will be of three-hour duration. Students will be able to take their copy of the text book (not the Solutions Manual or any other loose pieces of paper) into the exam. The format of the exam will be:

Section A: Multiple Choice (12 questions at 1 mark each). Total of 12 marks.

Section B: Minor problems (8 problems at 4 marks each). Total of 32 marks. Each of these problems is about 1/2 a page in the paper.

Section C: Major problems (7 problems at 8 marks each). Total of 56 marks. Each of these problems is about 1 full page in the paper.

Further details will be posted on the unit's WebCT site by the 11th week of the semester.

Unless prevented by illness, misadventure or unavoidable disruption students must attempt the end-of-semester exam at the time scheduled by the University. Special consideration will be given only to students who throughout the semester have achieved a satisfactory progress in all other assessment components.

Special consideration requests will only be considered if the student has correctly followed the prescribed application process, which is explained here:

<http://www.reg.mq.edu.au/Forms/APSCons.pdf>

To achieve a minimum of a conceded pass (PC) grade in the unit, students need successfully to:

- ❑ attend and participate in weekly tutorials
- ❑ complete the major assignment
- ❑ complete the during-semester test
- ❑ complete the end-of-semester (final) examination and achieve a minimum of 40% in the final exam.

Under the current grading system, a standardised numerical grade (SNG) will be awarded together with a band grade HD, D, Cr, P, PC, or F.

The SNG is purely a rank, and is NOT the weighted aggregate of the raw marks for the above assessment components. It is rather a detailed grade that is chosen from 0 to 100 based on other criteria as well as the raw marks. An SNG of, say, 43 does NOT mean that the student's aggregate mark is two marks below the threshold for a PC. The mark informs the student that he/she failed one of the required conditions for gaining a PC, but of those students who Failed he/she was ranked near the top.

IMPORTANT ASSESSMENT DATES

Week 4	Tutorial Collection 1 (Wks 2-4)
Week 9	Tutorial Collection 2 (Wks 5-9)
Week 12	Tutorial Collection 3 (Wks 10-12)
Monday, 8th October	Major Assignment – by 6pm ERIC
Saturday, 20th October	Online Test – 10am +/- 20 min

REMEMBER TO ATTACH THE PROVIDED COVER SHEET

Schedule of Topics

Date	Week	Lecture Topic	Text Readings	Optional Sections	Tutorial Exercises
30 th Jul	1 [EW]	“Course Themes”	Ch. 1, 2, 3	Ch. 1: (all) Ch. 2: (all)	
6 th Aug	2 [EW]	“State Preference Theory”	Ch. 4	Ch. 4: G	3.4, 3.8, 3.14, 3.16
13 th	3 [EW]	“Portfolio Theory, CAPM, APT”	Ch. 5, 6	Ch. 5: A; B. Ch. 6: A, B, C, D	4.2, 4.3, 4.5
20 th	4 [MS]	“Pricing Contingent Claims: Option Pricing Theory and Evidence”	Ch. 7	Ch.7: G2, G3, G4; J ; K	5.7, 5.13, 6.6, 6.20
27 th	5 [MS]	“The Term Structure of Interest Rates, Forward Contracts, and Futures”	Ch. 8	Ch.8: B ; D2	7.1, 7.6, 7.7, 7.11
3 rd Sep	6 [MS]	“Real Options Analysis”	Ch. 9	Ch.9: F; G; I	8.1, 8.5, 8.6, 8.8
10 th	7 [MS]	“Efficient Capital Markets: Theory & Evidence”	Ch.10,11	Ch.10: F	9.1, 9.5, 9.8, 9.9

SEMESTER BREAK

Date	Week	Lecture Topic	Text Readings	Optional (Non-Examinable) Sections	Tutorial Exercises
1 st Oct	8 [MS]	“Information Efficiency & Agency Theory”	Ch.12	In all sections a less quantitative approach is adopted.	10.1, 10.3,10.6, 11.1, 11.3, 11.5
8 th	9 [TT]	“Valuation & Tax Policy”	Ch. 14	Ch.14: C.	12.1, 12.2, 12.3, 12.6,
15 th	10 [TT]	“Capital Structure & the Cost of Capital: Theory & Evidence”	Ch. 15	Ch. 15: B2; E – I, K.	14.2, 14.3, 14.4, 14.5.
22 nd	11 [TT]	“Dividend Policy: Theory & Empirical Evidence”	Ch. 16	Ch. 16: B; C1, C3; E2; F; G	15.2, 15.6, 15.13, 15.15
29 th	12 [TT]	“Acquisitions, Divestitures, Restructuring, and Corporate Governance”	Ch. 18	Ch. 18: E ;F ; L- N	16.6, 16.8, 16.9, 16.10
5 th Nov	13 [TT]	“The Role of the CFO, Performance Measurement, and Incentive Design”	Ch. 13	Ch. 13: B3	18.3, 18.4, 18.11, 18.12.

Note: The first Monday back after the semester break is a public holiday. However, all classes during the rest of the week – including the Thursday lecture will be held as usual – and Monday students are welcome to attend these. Obviously, Monday students will not lose a mark for missing their Monday tutorial in that week.