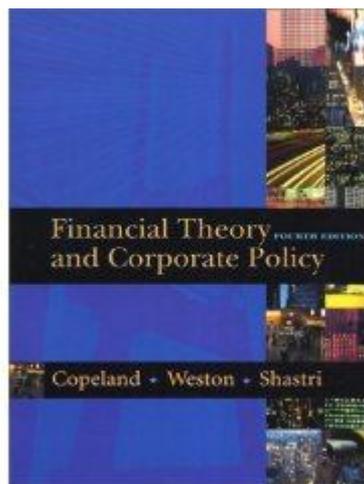




**ACCG 353
CORPORATE FINANCIAL DESIGN**

**UNIT OUTLINE
2nd SEMESTER 2008**



**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. Mehdi Sadeghi	[MS]	Lecturer-in-charge	E4A514	Ph: 9850 8527
Dr. Edward Watts	[EW]	Lecturer	E4A227	Ph: 9850 8533
Miss Cissy Zhan	[CZ]	Unit Administrator	E4A	Ph: 9850 4832

Consultation times will be posted on Blackboard. 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:

□ Evening	Monday	18:00 - 20:00	W5A: T2
□ 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 Blackboard and in hardcopy through ERIC.

Unit Blackboard site

All course materials and announcements will be available through the unit's Blackboard site at <http://learn.mq.edu.au/>. 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, selecting higher 2 x 2.5%)	5%
Major assignment	15%
Mid-semester test	15%
End-of-semester (final) examination	60%

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, Cissy Zhan.

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.

During semester if a student can not attend his/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 Blackboard 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: one tutorial will be collected randomly during weeks 2 – 4, one tutorial will be collected randomly during weeks 5 – 8, and one tutorial will be collected randomly during weeks 9–12. Average mark from two out of three collections will be allocated as your tutorial homework mark. For instance, if your marks for three collection are 3/5, 5/5, and 4/5. Your tutorial mark is calculated on the basis of two higher marks as $(5+4)/2 = 4.5$.

Major assignment

The major assignment is a research exercise, and it's 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:

Part A: The subprime meltdown

Part B: The cause and effect of rising oil prices

In the first part, you are expected to critically analyse the issue of subprime crisis, accelerated late 2006 and triggered a global financial crisis during 2007 and 2008. Your analysis must include a brief description of subprime loans, and address questions such as how and why the crisis started, where the crisis started from, what was the role of hedge fund in failure of mortgage companies, how this crisis can be prevented in the future, and to what extent world financial markets in general, and Australian financial markets in particular, have been adversely effected (directly or indirectly).

Oil prices have been in continuous rise since 1999, accelerated during the year of 2007-2008. In the second part of your assignment, you are required to discuss factors that are driving the high oil prices and analyse the implications of the rise on different industries, including on auto, airline, shipping and transport, traditional oil and petrochemical, manufacturing and resources, as well as the whole economy.

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 Blackboard. The assignment will be due **by 6pm on Friday 10th 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/>

Mid-semester test

Details relating to the during-semester test will be released via Blackboard. The test will be in week 7, approximately 50 minutes in length, and will be of a multiple choice format covering the topics up to and including Chapter 9 "Real Options Analysis". The test will be on **Monday the 15th of September during the evening lecture (between 6-8pm), and on Thursday 18th of September during the daytime lecture (between 13-15pm).**

End-of-semester (final) examination

a) Preparation

As you approach final exams your perspective will shift from a local/subject view to a global/term view. Planning for final exams is more than preparing for test or tutorials. **You will be choosing how to prioritise your subjects** and deciding how and where to concentrate your energy. Your priorities must be given to lecture notes, the tutorial listed in the subject outline, and the text book contents. A copy of the sample exam will also be provided for your practice on due time. The **sample exam** is not a **real exam**, but instead one designed exclusively for practice.

b) Format

The end-of-semester (final) exam 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 (6 problems at 8 marks each). Total of 48 marks. Each of these problems is about 1 full page in the paper.

Further details will be posted on the unit's Blackboard 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.

Grade Reviews and Exam Script Viewing

If you honestly believe that an error has occurred that has affected your final grade (and you have evidence to support this) you may:

a) view your exam script (deadline to register on the web is 1000 22 December; viewing 23, 24 December 2008; 5 January 2009) and

b) if necessary lodge a Grade Review application (in person or by proxy) with the Division by 1230 on 5 January 2009

for further information on these two processes please refer to http://www.efs.mq.edu.au/current/ug/admin_central/grade_appeals.

Students are expected to arrive on time, certainly before five minutes past the hour, and not to leave until the class ends. If you have a recurring problem that makes you late, or forces you to leave early, have the courtesy to discuss this with your lecturer/tutor.

Students are expected to be quiet during lectures unless, of course, class participation is required.

Mobiles should be turned off during classes; not simply set to \silent".

IMPORTANT ASSESSMENT DATES

Week 2-4	Tutorial Collection 1, random
Week 5-8	Tutorial Collection 2, random
Week 9-12	Tutorial Collection 3, random
Friday, 10th October	Major Assignment – by 6pm ERIC
Monday 15th, and Thursday 18th of September	50 minutes test during the lecture hours

Schedule of Topics

Date	Week	Lecture Topic	Text Readings	Optional Sections	Tutorial Exercises	
4 th Aug	1 [MS]	"Course Themes"	Ch. 1, 2, 3	Ch. 1: (all) Ch. 2: (all)		
11 th Aug	2 [EW]	"State Preference Theory"	Ch. 4		3.4, 3.8, 3.14, 3.16	
18 th	3 [EW]	"Portfolio Theory, CAPM, APT"	Ch. 5, 6		4.1, 4.4, 4.5,4.6	
25 th	4 [EW]	"Pricing Contingent Claims: Option Pricing Theory and Evidence"	Ch. 7		5.6, 5.14, 6.13, 6.16, 6.20	
1 st Sep	5 [EW]	"The Term Structure of Interest Rates, Forward Contracts, and Futures"	Ch. 8		7.4, 7.6, 7.9, 7.12	
8 th Sep	6 [EW]	"Real Options Analysis"	Ch. 9		8.2, 8.3, 8.4, 8.6, 8.8	
15 th	7 [MS]	"Efficient Capital Markets: Theory & Evidence"	Ch.10,11		9.2, 9.3, 9.8, 9.10	
15th Sep	<input type="checkbox"/>	Mid-term Test				

SEMESTER BREAK

Date	Week	Lecture Topic	Text Readings	Optional Sections	Tutorial Exercises
6 th Oct	8 [MS]	"Information Efficiency Agency Theory"	Ch.12	In all sections a less quantitative approach is adopted.	10.1, 10.2, 10.5, 10.6, 10.7, 10.9
13 th	9 [MS]	"Valuation & Tax Policy"	Ch. 14		12.1,12.2, 12.3,12.5, 12.6,
20 th	10 [MS]	"Capital Structure & the Cost of Capital: Theory & Evidence"	Ch. 15		14.2, 14.3,14.4, 14.5.
27 th	11 [MS]	"Dividend Policy: Theory & Empirical Evidence"	Ch. 16		15.2, 15.4, 15.7,15.15.11, 15.13, 15.17
3 rd Nov	12 [MS]	"Acquisitions, Divestitures, Restructuring, and Corporate Governance"	Ch. 18		16.6, 16.8, 16.9, 16.16.10
10 th Nov	13 [MS]	"The Role of the CFO, Performance Measurement, and Incentive Design"	Ch. 13		18.3,18.4, 18.5,18.6,18.11,

REMEMBER TO ATTACH THE PROVIDED COVER SHEET