1. Description of Objectives

This unit provides an introduction to the fundamental principles of finance and forms a gateway to more advanced studies in asset pricing, derivative securities, portfolio management and corporate finance. After completing this unit, students will have foundation knowledge in investment valuation, risk and return, capital budgeting, corporate financial policy such as financing decisions and dividend policy, derivatives securities and no arbitrage valuation. The unit promotes graduate capabilities in critical, analytical and integrative thinking; and problem solving and research within the context of finance. While this unit has similar topic coverage to ACCG253 Financial Management, it provides a more rigorous approach and requires a higher level of quantitative ability.

Upon the successful completion of this unit you will be able to:

1. Explain the key concepts of introductory corporate finance;
2. Have a working understanding of various theoretical approaches to financing and investment decision-making;
(3) Understand, the various methods used in and, the issues associated with capital budgeting and asset pricing; and
(4) Outline the main factors of derivatives/risk management.

2. 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
(2) Critical, Analytical and Integrative Thinking
(3) Problem Solving and Research Capability
(4) Creative and Innovative
(5) Effective Communication
(6) Engaged and Ethical Local and Global citizens
(7) Capable of Professional and Personal Judgement and Initiative
(8) Commitment to Continuous Learning

3. PRE-REQUISITES

Entry to ACCG252 requires you to have completed the following pre-requisites:

(1) ACCG100 or ACCG105 or ACCG106;
(2) ECON111 or BBA103;
(3) STAT170 or STAT171;
(4) ACST101; and
(5) 27cp or GPA of 2.25 or above.

Some tutorial questions in the early weeks of the course revise important concepts from statistics and introductory finance. Make a special effort to complete the revision
questions ASAP if you struggled to pass either of the pre-requisites to avoid falling behind.

4. **Textbook**

*Prescribed text:*


Refer to the unit web page for other useful references and resources.

5. **Staff Contacts**

**Full Time Staff**

<table>
<thead>
<tr>
<th>Convenor/Lecturer (Day)</th>
<th>Lecturer (Night)</th>
<th>Administrator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Alex Proimos CFA</td>
<td>TBA</td>
<td>Ms Annette Qi</td>
</tr>
<tr>
<td>Office: E4A 512</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ph: 9850 9179</td>
<td></td>
<td></td>
</tr>
<tr>
<td><a href="mailto:aproimos@efs.mq.edu.au">aproimos@efs.mq.edu.au</a></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TBA</td>
<td></td>
<td>Office: E4A254B</td>
</tr>
<tr>
<td>TBA</td>
<td></td>
<td>Ph: 9850 9140</td>
</tr>
<tr>
<td><a href="mailto:aqi@efs.mq.edu.au">aqi@efs.mq.edu.au</a></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Consultation times and contact details are made available on the unit web page.

Questions about administrative matters should be directed to Annette Qi (Unit Administrator) or your tutor. Questions about lecture material or assessment should be directed to Alex Proimos (Unit Convenor).

6. **Classes**

This unit has 3 hours face-to-face teaching per week consisting of 1 x 2 hour lecture and 1 x 1 hour tutorial. 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/) Any changes to your unit enrolment
must be done via eStudent. Please note when selecting your classes that this unit has assessments which require students to attend their enrolled classes.

7. Assessment

Your final grade will be influenced by your performance in each component of assessment as follows:

<table>
<thead>
<tr>
<th>Assessment Weightings for Final Grading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class Tests</td>
</tr>
<tr>
<td>Mid Semester Test</td>
</tr>
<tr>
<td>Final Exam</td>
</tr>
</tbody>
</table>

Refer to section 7.3 for further information about examinations and grading.

7.1. TUTORIALS & TUTORIAL ASSIGNMENTS.

(1) Tutorial attendance is compulsory.

(2) You are strongly advised to attempt all assigned tutorial questions before the weekly tutorial class, and before consulting the solutions. It is very easy to be lulled into a false sense of security by simply reading questions and looking at the solutions.

(3) Solutions to tutorial questions will be provided at the end of the week in which they’re due.

7.2. CLASS TESTS.

(1) Over the course of the semester you will be required to do four short tests during your tutorial class. Two tests will be held between weeks 2 and 5 inclusive, and the remaining tests will be held after week 7. The format of the tests is as follows:
   (a) Duration: 15 mins
   (b) Tests will be comprised of one or two questions very similar (if not identical) to the tutorial questions due in the week of the test.
(c) The questions will be straightforward, focusing on core concepts. Calculations may or may not be required.

(d) The tests will be closed book, however, you will not be provided with any formulae required to do calculations.

(2) Please note the following rules:

- The first test will be held in week 3, all subsequent tests will be held at times of your tutor’s choosing, that is, without prior warning. You must therefore attend all tutorial classes prepared to do a test. This means doing your weekly homework.
- Not all tutorial classes taken by a given tutor will be tested in the same week, and not all tests administered in a given week will be the same.
- Tests must be done in your assigned tutorial class. If you cannot attend your assigned tutorial class for reasons of documented illness or misadventure, then you will be required to do a make up test.
- As per the statement on plagiarism at the end of this document, anyone caught colluding or cheating in a class test will receive zero marks, and the matter will be pursued at University level.

(3) Your final mark for this component of the assessment will be an equally weighted average of your best three test performances.

(4) These in-class tests serve as an early warning diagnostic for students at risk for not meeting the requirements of the unit.

7.3. MID-SEMESTER TEST & FINAL EXAM.

- A 75-minute mid-semestre test based on the topics covered in lectures 1-5 (inclusive) will be held during the lecture time in week 6.
- The final exam will be a three hour paper. All topics are examinable in the final. No formula sheets or ‘notes’ will be permitted.
• You must achieve a satisfactory level of performance in both the mid-semester test and the final exam to pass the unit. Note that you must pass the final exam to pass the unit.

• Non-programmable calculators may be used in both the mid-semester test and final exam. You are not permitted to use dictionaries in either the test or final exam.

• No aids, other than writing implements, may be brought into an exam unless specifically permitted by the Convenor. The following are expressly forbidden: mobile phones, programmable and financial calculators, computers, Ipods, PDAs, MP3s and any other electronic aid, and books.

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
8. Lecture Topics, Reading and Tutorial Assignments

IMPORTANT: If I become aware of any errors in the lecture notes, tutorial solutions or any other document I will correct the problem as soon as possible, post an update and flag the revision on the web page. I place a version number on all documents so you can easily ensure you have the latest version of all materials.

Week 1: The Time Value of Money and Net Present Value
(Week beginning February 22, 2010)
Reading: Chapters 1 & 2.
Tutorial Questions due Week 2: Ch 1, Q1.6, 1.7, 1.8, 1.9; Ch 2, Q 2.46, 2.47, 2.49, 2.50, 2.51, 2.64, 2.67, 2.68, 2.69.

Week 2: Stock and Bond Valuation
(Week beginning March 1, 2010)
Reading: Chapter 3.

Week 3: Rates of Return, Uncertainty, Default and Risk
(Week beginning March 8, 2010)
Reading: Chapters 5 & 6.
Tutorial Questions due Week 4: Ch 5, Q5.22, 5.23, 5.27, 5.34, 5.43, 5.45, 5.48; Ch 6, 6.33, 6.35, 6.37, 6.43, 6.46, 6.49, 6.50.

Week 4: Capital Budgeting: Applications and Pitfalls
(Week beginning March 15, 2010)
Reading: Chapters 4 & 12
Tutorial Questions due Week 5: Ch 4, Q4.25, 4.26, 4.28, 4.29, 4.33, 4.34, 4.37, 4.39, 4.41, 4.44, 4.46; Ch 12 12.21, 12.23, 12.24, 12.25, 12.29, 12.35, 12.36.
Week 5: Investor Choice: Risk and Reward

(Week beginning March 22, 2010)

Reading: Chapter 8

Tutorial Questions due Week 6: Ch 8, Q8.13, 8.15, 8.18, 8.19, 8.20, 8.24, 8.26, 8.29, 8.35, 8.45.

Week 6: Mid-Semester Test (Week beginning March 29, 2010) The mid-semester test will be held in your enrolled lecture time and covers the material from Week 1 - 5.

The mid-semester test will be reviewed in the tutorial Week 7:

Mid-Semester Break (April 2 - April 18, 2010)

Week 7: The Capital Asset Pricing Model (Week beginning April 19, 2010)

Reading: Chapter 9


Week 8: (Im)Perfect & Efficient Markets, & Classical and Behavioural Finance

(Week beginning April 26, 2010)

Reading: Chapters 10 & 11


Week 9: Capital Structure and Capital Budgeting in a Perfect Market

(Week beginning May 3, 2010)

Reading: Chapters 16

Week 10: Market Imperfections Influencing Capital Structure
(Week beginning May 10, 2010)

Reading: Chapters 17 & 18


Week 11: Equity Payouts: Dividends and Share Repurchases
(Week beginning May 17, 2010)

Reading: Chapter 19


Week 12: Options & Risk Management
(Week beginning May 24, 2010)

Reading: Chapter 26


Week 13: Revision
(Week beginning May 31, 2010)

ABOUT LECTURES: There are two lectures per week, one on Wednesday 6 - 8 pm in E5A107 and one on Thursday 3 - 5 pm in E7BT2. (Note that Thursday’s lecture is a repeat of Wednesday). Attendance at lectures is not compulsory, but highly recommended.

As a matter of basic courtesy mobile phones should be turned off during all classes (lectures and tutorials); not simply set to “silent”. More generally, please consider others and avoid talking during lectures and tutorials as it is very disruptive to both students and teachers.
LECTURE NOTES: will be available on the web, prior to the lecture - usually the week before the lecture. Log in to the unit web page on Blackboard from: https://learn.mq.edu.au and check the page regularly for updates.

The lecture materials define the unit content. As a general rule, if the textbook covers a topic that is not mentioned in the lectures, it will only be examinable if it is covered in one of the assigned tutorial questions.

ABOUT READINGS AND HOMEWORK: Always check the lecture materials for additional reading or additional tutorial questions. The reading guide provided above is approximate: there may be material in some of the chapters that are not covered in the unit (i.e. examinable), or there may be material in lectures not covered in the book.

9. Regarding Special Consideration and Supplementary Exams

Students requesting special consideration should acquaint themselves with the University policy on special consideration at http://www.mq.edu.au/policy/docs/special_consideration/policy.html

Note that applications for special consideration must be accompanied by the appropriate supporting documentation - including a Professional Authority form if you’re ill.

Please note that everyone in this unit is subject to the same assessment requirements. If you do meet the criteria for special consideration then you’ll be required to complete an appropriately adjusted version of the assessment that you missed.

The only exception to not sitting an examination (mid-semester or final exam) at the designated time is because of a documented severe illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. This may result in a supplementary exam.

Note: Supplementary final exams will NOT be granted under any circumstances should your course work be unsatisfactory i.e. less than 45%. Additionally, an application for special consideration for the final exam may be rejected where, a student, despite
having severe medical condition on the examination day ignore their Doctor’s diagnosis, sit the final exam, which subsequently results in their unsatisfactorily performance.

10. REGARDING PLAGIARISM

Please acquaint yourself with the University rules on plagiarism at http://www.student.mq.edu.au/plagiarism/

Please be aware that you can expect a zero tolerance approach to plagiarism or any other form of cheating in this unit. If you’re caught, you will receive zero marks for your efforts and the matter will be pursued in accordance with University procedures.

11. FEEDBACK

Feedback from Students: I welcome constructive comments and suggestions for improvements to the unit. Please feel free to contact me during semester to convey your thoughts, e-mail is best.

Feedback to Students: The changes to the style and form of assessment in 2010 are designed to reduce the stress associated with the mid-semester test and final exam by encouraging and rewarding success in a series of smaller assessment tasks. Specifically, the tutorial tests provide you with a greater continuity of feedback and a good measure of whether you’re on top of core concepts. Do not ignore poor performance in the tutorial tests or mid-semester test.

If you are working hard and still performing poorly then you must seek help from your tutor or lecturer straight away.

In seeking help:

• DO bring along your attempt at the question or problem at hand. Asking a specific question (even if it’s basic) is likely to be far more productive than going to a tutor and saying something like ‘I don’t understand options’.

• DO NOT delay. More often than not students come along a week or two before the final exam to ask questions about issues they should have clarified weeks or
months earlier. Usually by then, it’s too late. The material in this unit is not well suited to last minute cramming.

12. Student Support Services

Macquarie University provides a range of Academic Student Support Services. Details of these services can accessed at

http://www.student.mq.edu.au/

13. Grading, Grade Reviews and Exam Script Viewing

Under the Senate guidelines, results may be scaled to ensure that there is a degree of comparability across the university, so that units with the same past performances of their students should achieve similar results. Please see the University Handbook for more details regarding Grades and SNGs.

Prior to lodging any Grade Review application, it is strongly recommended that you view your final exam script (in person or by proxy). Public script viewing sessions will be held following the release of grades (July). For further information please see the Faculty Appeals Against A Final Grade web page.

If you honestly believe there is an error in your final grade or that it is unfair, please submit a Grade Review application to the Faculty (in person or by proxy) at the times and place specified on the Faculty Appeals Against A Final Grade website.

http://www.businessandeconomics.mq.edu.au/