Year and Semester: Semester 2, 2010

Unit coordinator: Dr Lindsay Stubbs

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

- ACCG100 or ACCG105 or ACCG106;
- and
- ECON111 or BBA103;
- and
- STAT170 or STAT171;
- and
- ACST101;
- and
- 27 credit points or a GPA of 2.25 or higher.

Some tutorial questions in the early weeks of the course revise important concepts from introductory finance. Make a special effort to complete all assigned tutorial problems if you found any of the pre-requisites difficult.

Co-requisites: Nil

Not to Count for Credit With: ACCG253 Financial Management

Credit points: 3 credit points

Students in this unit should read this unit outline 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

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 have foundation knowledge in investment analysis, 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 a similar coverage to ACCG253 Financial Management, it provides a more rigorous approach and requires a higher level of quantitative ability.
TEACHING STAFF

Unit Coordinator
Dr Lindsay Stubbs
Lecturer
Department of Accounting and Finance
Building E4A, Room 526.
Phone: (02) 9850 8538.
Email: accg252@mq.edu.au

Deputy Unit Coordinator
Ms Yunping Chen
Department of Accounting and Finance
Building E4A, 218A
Phone: (02) 9850 4761.
Email: accg252@mq.edu.au

Sessional Staff
Mr Damian Bridge, CFA.
Mr Luke Cayanan
Mr Jarrod Morris

CONSULTATION TIMES

Unit Coordinator
Dr LindsayStubbs
Time: Tuesday 11:00am – 1:00 pm or by appointment.
Where: Building E4A, Room 526.

Deputy Unit Coordinator
Ms Yunping Chen
Time:
- Wednesday 1:00pm to 2:00pm;
- Wednesday 4:00pm to 5:00pm;
- or by appointment.
Where: Building E4A, 218A

Sessional Tutors
Sessional tutors are available for consultation from Week 3 onwards (week beginning 16th August). Sessional tutors will normally be available for two hours per week at a specific time. A schedule of consultation hours is available on Blackboard, the on-line teaching facility. Alternatively, you may check at BESS (Business and Economics Students Services) in Building E4B.

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 any consultations by email. You may, however, telephone 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).

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

**CLASSES**

- Each week there will be a two hour lecture and a one hour tutorial. You should attend all lectures and tutorials. There are no tutorials in Week 1. Weekly tutorials cover material based on the lecture of the previous week.
- Solutions to tutorial questions (both from the text book and the Supplementary Tutorial Problems) will be posted on Blackboard at the end of each week.
- Monday 4\textsuperscript{th} October is a public holiday in New South Wales. Any student in a Monday tutorial should attend a tutorial later in the same week. Please inform the tutor you are from a Monday class.
- 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/).
- Please note that some of the unit’s assessment will be conducted in tutorials. Your attendance at tutorials is very important.

**PRIZES**

The KPMG Academic Prize is awarded to the best student in this subject. Please see the following web-site:


**REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS**

The prescribed text is:

*Fundamentals of Corporate Finance, 4\textsuperscript{th} edition*, by S. Ross, S. Thompson, M. Christensen, R. Westerfield and B. Jordan.

**Publisher:** McGraw-Hill Irwin, 2007.

**ISBN:** 97800747813

The text can be purchased from the Macquarie University Co-op Bookshop, and is available in the Macquarie University Library.
When you purchase the text, you will have access to McGraw-Hill web resources, in particular the web-site www.mhhe.com/au/ross4e.

During the semester, you may be asked to access web-sites of certain Australian companies and also the web-site for the Australian Securities Exchange at www.asx.com.au.

Calculators: Financial calculators may be used in any examination for this unit. A financial calculator is not essential, as a scientific one should meet all your needs. You will not be asked to calculate Internal Rate of Return (IRR) in an examination. Financial calculators are able to do this. Only non-programmable calculators are allowed in an examination.

If you choose to buy a financial calculator and are planning to enrol in the Chartered Financial Analysts (CFA) course after you graduate from Macquarie University, you may wish to purchase a financial calculator that meets CFA examination requirements. For specific requirements, see the CFA Institute’s web-site, www.cfainstitute.org. The two CFA-approved calculators are:

- Texas Instruments BA II Plus (including BA II Plus Professional);
- Hewlett Packard 12C (including Hewlett Packard 12C Platinum).

Another recommended calculator is the Hewlett Packard HP17BII or HP17BII+. This is used in Macquarie University’s Master of Applied Finance program.

UNIT WEB PAGE

Course material is available on Blackboard.

LEARNING OUTCOMES

The learning outcomes of this unit are:

1. A broad introduction to applied financial analysis and management.
2. An understanding of some of the key concepts of modern finance.
3. An ability to apply finance theory to simple real-life problems.
4. An ability to use the accounts of listed Australian companies and calculate key market-related figures.

Additional specific learning outcomes for each topic are set out at the start of each topic’s lecture notes (i.e. the PowerPoint slides that are available on Blackboard).
**GRADUATE CAPABILITIES**

In addition to the discipline-based learning objectives, all academic programs at Macquarie University 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**, such as:
   - An understanding of the key terms in each of the topics.
   - An ability to discuss the key theoretical underpinnings of each topic.
   - An ability to apply finance theory to real-life practical problems.
   - An ability to connect theory and practice.

2. **Critical, Analytical and Integrative Thinking**.

3. **Problem Solving Capability**.

4. **Effective Communication**.

5. **Socially and Environmentally Responsible**.

6. **Capable of Professional and Personal Judgement and Initiative**.

7. **Commitment to Continuous Learning**.

**TEACHING AND LEARNING STRATEGY**

**Lecture and Tutorials**

Each week there will be a two hour lecture and a one hour tutorial. In the tutorial, the tutor will go through some of the questions set for that week. They will be based on the lecture material for the preceding week. It is important that you attempt the tutorial problems before you come to class.

**What is expected of students**

To achieve the best possible results in this unit, students should:

- Attend all lectures.
- Attend all tutorials and do assigned problems before the class.
- Read the assigned chapters of the text book.
- Download a copy of each lecture’s PowerPoint slides which will be made available before each lecture. Make sure these are brought to lectures.
- Most of the tutorial problems will be drawn from the text book. There will be supplementary tutorial problems placed on Blackboard requiring you to find out certain information about Australian companies and answer questions relating to what you have found.
Topics to be covered

Lectures

<table>
<thead>
<tr>
<th>Week</th>
<th>Chapter</th>
<th>Topic</th>
<th>Week beginning</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>Introduction to corporate finance</td>
<td>2 August</td>
</tr>
<tr>
<td>2</td>
<td>5</td>
<td>First principles of valuation: the time value of money</td>
<td>9 August</td>
</tr>
<tr>
<td>3</td>
<td>6</td>
<td>Valuing shares and bonds</td>
<td>16 August</td>
</tr>
<tr>
<td>4</td>
<td>7</td>
<td>Net present value and other investment criteria</td>
<td>23 August</td>
</tr>
<tr>
<td>5</td>
<td>8</td>
<td>Making capital investment decisions</td>
<td>30 August</td>
</tr>
<tr>
<td>6</td>
<td>9</td>
<td>Project analysis and evaluation</td>
<td>6 September</td>
</tr>
<tr>
<td>7</td>
<td>10</td>
<td>Some lessons from capital market history</td>
<td>13 September</td>
</tr>
<tr>
<td>8</td>
<td>11</td>
<td>Return, risk and the Security Market Line</td>
<td>4 October</td>
</tr>
<tr>
<td>9</td>
<td>17</td>
<td>Cost of capital</td>
<td>11 October</td>
</tr>
<tr>
<td>10</td>
<td>18</td>
<td>Dividends and dividend policy</td>
<td>18 October</td>
</tr>
<tr>
<td>11</td>
<td>19</td>
<td>Financial leverage and capital structure policy</td>
<td>25 October</td>
</tr>
<tr>
<td>12</td>
<td>20</td>
<td>Options, corporate securities and futures</td>
<td>1 November</td>
</tr>
<tr>
<td>13</td>
<td></td>
<td>Revision</td>
<td>8 November</td>
</tr>
</tbody>
</table>

Tutorials

<table>
<thead>
<tr>
<th>Tutorial</th>
<th>Chapter</th>
<th>Week Beginning</th>
<th>Week</th>
<th>Questions and Problems from the Back of the Chapters</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>9 August</td>
<td>2</td>
<td>3 5 7 11 12 15</td>
</tr>
<tr>
<td>2</td>
<td>5</td>
<td>16 August</td>
<td>10</td>
<td>39 46 47 48 49 50 51 52 53</td>
</tr>
<tr>
<td>3</td>
<td>6</td>
<td>23 August</td>
<td>5</td>
<td>6 7 8 13 19 26 30 31 34</td>
</tr>
<tr>
<td>4</td>
<td>7</td>
<td>30 August</td>
<td>1</td>
<td>3 11 13 15 16 17 19 20 28</td>
</tr>
<tr>
<td>5</td>
<td>8</td>
<td>6 September</td>
<td>1</td>
<td>2 6 7 9 10 12 13 18 19</td>
</tr>
<tr>
<td>6</td>
<td>9</td>
<td>13 September</td>
<td>1</td>
<td>2 3 4 5 6 15 16 19 20</td>
</tr>
<tr>
<td>7</td>
<td>10</td>
<td>4 October</td>
<td>1</td>
<td>2 4 7 8 9 13 14 16 20</td>
</tr>
<tr>
<td>8</td>
<td>11</td>
<td>11 October</td>
<td>3</td>
<td>5 7 8 12 14 15 16 20 22</td>
</tr>
<tr>
<td>9</td>
<td>17</td>
<td>18 October</td>
<td>1</td>
<td>3 4 5 7 8 9 12 14 16</td>
</tr>
<tr>
<td>10</td>
<td>18</td>
<td>25 October</td>
<td>3</td>
<td>9 10 14 17 18 20 21</td>
</tr>
<tr>
<td>11</td>
<td>19</td>
<td>1 November</td>
<td>1</td>
<td>2 4 5 10 11 14 15 16 17</td>
</tr>
<tr>
<td>12</td>
<td>20</td>
<td>8 November</td>
<td>1</td>
<td>3 4 5 6 7 8 11 20 21</td>
</tr>
</tbody>
</table>

It is unlikely that tutors will be able to cover all questions in each class. In addition, supplementary tutorial problems will be posted on Blackboard asking you to seek out information on the internet about certain Australian companies and to perform some finance-related calculations. The supplementary problems are important, as their purpose is to give some real-life problems relating to the material covered in this course.
RESEARCH AND PRACTICE

This unit gives you opportunities to conduct your own research into some companies listed on the Australian Securities Exchange (ASX), showing you how to find key information from the companies’ accounts and then to apply this in certain calculations.

RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

Assessment
There will be three items of assessment, as follows:

(a) Checking of homework (10%)
For tutorials, you are required to complete questions from the back of the chapters of the text and any supplementary problems placed on Blackboard. On at least three occasions during the semester your tutor will check this homework at the start of the class. The tutor will record a mark from 0 to 5 based on effort (have you made a good attempt), rather than if you have completed the problems correctly or not.

The best two marks will count towards your final grade for the unit.

The first time homework will be checked is in Tutorial 2 in the week commencing 16th August. This is the tutorial based on the Time Value of Money, and tutors will be asked to look in particular for neat well-drawn time lines. The second and third homework checks will be made from Tutorial 3 to 12. Some tutors may choose to check homework on additional occasions.

For the homework check in Tutorial 2, the purpose is to give you some diagnostic feedback on your performance in the unit. The tutor will spend approximately half of the tutorial class time examining homework and giving some individual feedback. During this time other students should work on other financial mathematics problems which the tutor will assign.

Much of this topic and tutorial revises material you have covered in ACST101 Techniques and Elements of Finance, which is a pre-requisite for this unit.

Students who are deemed to be at risk by the tutor will be counselled by the tutor on what actions they need to undertake.

(b) Mid-semester Examination (30%).
A mid-semester examination will be held in the week beginning Saturday 18th September. It will be at least 90 minutes in length. Multiple choice questions will make up about one third of the paper, and the longer questions (descriptive and calculation-type questions) will make up about two thirds of the total marks.

The mid-semester examination will cover Topics 1 to 5 inclusive. It will be a closed book exam. Financial calculators are permitted. Programmable
calculators may not be used. You must write your tutor’s name, time of tutorial and number of tutorial on the front of your examination paper.

If you miss the mid-semester examination and valid reasons are presented (e.g. medical certificate if you are ill on the day of the examination), you will be allowed to sit a supplementary mid-semester examination.

(c) Final Examination (60%)

The final examination will be held in the formal examination period at the end of the semester. It will be a three hour exam, with approximately one third of the paper consisting of multiple choice questions and the rest longer questions (both descriptive and calculation-type questions).

The final examination will cover all topics covered in the unit, with an emphasis on Topics 6 to 12 (i.e. the ones not covered in the mid-term examination). It will be a closed book exam. Financial calculators are permitted. Programmable calculators may not be used.

The learning outcomes being assessed are:

1. A broad introduction to applied financial analysis and management.
2. An understanding of some of the key concepts of modern finance.
3. An ability to apply finance theory to simple real-life problems.
4. An ability to take the accounts of listed Australian companies and calculate key market-related figures.

The graduate capabilities being assessed are:

1. Discipline Specific Knowledge and Skills, such as:
   - An understanding of the key terms in each of the topics.
   - An ability to discuss the key theoretical underpinnings of each topic.
   - An ability to apply finance theory to real-life practical problems.
   - An ability to connect theory and practice.
2. Critical, Analytical and Integrative Thinking.
4. Effective Communication.
5. Socially and Environmentally Responsible.
<table>
<thead>
<tr>
<th></th>
<th>Assessment Task 1</th>
<th>Assessment Task 2</th>
<th>Assessment Task 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title/Name</td>
<td>Checking homework</td>
<td>Mid-semester examination</td>
<td>Final examination</td>
</tr>
<tr>
<td>Description</td>
<td>Carried out at the start of tutorials on at least three occasions during the course.</td>
<td>Exam, at least 90 minutes long, covering Topics 1 to 5 inclusive.</td>
<td>3 hour exam, covering the whole syllabus, with an emphasis on Topics 6 to 12.</td>
</tr>
<tr>
<td>Due date</td>
<td>In tutorials</td>
<td>Week beginning 18th September</td>
<td>Final exam period</td>
</tr>
<tr>
<td>% Weighting</td>
<td>10%</td>
<td>30%</td>
<td>60%</td>
</tr>
<tr>
<td>Grading method</td>
<td>A good attempt made at problems set for each tutorial, including the supplementary problems.</td>
<td>A combination of multiple choice question and full response questions.</td>
<td>A combination of multiple choice question and full response questions.</td>
</tr>
<tr>
<td>Submission method</td>
<td>The tutor will check homework at the start of the class.</td>
<td>Formal examination</td>
<td>Formal examination</td>
</tr>
<tr>
<td>Feedback</td>
<td>In the tutorials where homework is checked.</td>
<td>Exam scripts will be returned in the week beginning 4th October, in tutorials.</td>
<td></td>
</tr>
<tr>
<td>Estimated student workload</td>
<td>15 hours per week</td>
<td>15 hours per week</td>
<td>15 hours per week</td>
</tr>
<tr>
<td>Learning outcomes assessed</td>
<td>1 to 4</td>
<td>1 to 4</td>
<td>1 to 4</td>
</tr>
<tr>
<td>Graduate capabilities assessed</td>
<td>1, 2, 3, 5, 7</td>
<td>1 to 5</td>
<td>1 to 5</td>
</tr>
</tbody>
</table>
Examinations

Mid-semester Examination
A mid-semester examination will be held in the week beginning Saturday 18th September. It will be at least 90 minutes in length. Multiple choice questions will make up about one third of the paper, and the longer questions (descriptive and calculation-type questions) will make up about two thirds of the total marks.

Topics 1 to 5 will be examined in the mid-semester examination.

Final examination
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 examination.

A three hour final examination for this unit will be held during the University Examination period, with approximately one third of the paper consisting of multiple choice questions and the rest longer questions (both descriptive and calculation-type questions). The final examination will cover all topics covered in the unit, with an emphasis on Topics 6 to 12 (i.e. the ones not covered in the mid-semester examination). It will be a closed book exam. Financial calculators are permitted. Programmable calculators may not be used.

The University Examination period in Second Half Year 2010 is from 17th November to 8th December.

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. Please see http://www.timetables.mq.edu.au/exam.

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.

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:


GRADES

All final grades in the Department of Accounting and Finance are determined by a grading committee and are not the sole responsibility of the Unit Coordinator.

Macquarie University’s Academic Senate has a set of guidelines on the distribution of grades across the range from Fail to High Distinction. Your final result will include one of these grades plus a Standardised Numerical Grade (SNG).

The Standardised Numerical Grade (SNG) is not a summation of the individual assessment components.

To be awarded a specific grade, students are required to perform at an equivalent standard in the final examination and their overall assessment marks in the unit.

Please also refer to the relevant pages in the Handbook of Undergraduate Studies.

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 web-site 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/procedure.html.

STUDENT SUPPORT SERVICES

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at http://www.student.mq.edu.au.

Students can also enquire at BESS in Building E4B about what academic student services are available.

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 utilising 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 unit 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.