MACQUARIE UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
UNIT OUTLINE

Year and Semester: Semester 2, 2010

Unit convenor: Dr. Roslinda Lim

Unit Administrator: Ms. Yun Ping Chen

Pre-requisites: (ACCG100 or ACCG105 or ACCG106) and (ECON111 or BBA103) and (STAT170 or STAT171) and ACST101 and (27cp or GPA of 2.00)

Credit points: 3

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 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 also given exposure to current issues affecting corporate finance in Australia.

Satisfactory completion of the unit equips students with a grasp of the following principals 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 stand alone introduction to finance for students not planning to continue with study in the area. Analytical, quantitative and generic skills are emphasised. The unit aims to develop graduate capabilities centred upon effective communication, higher order analysis and problem-solving skills.

TEACHING STAFF

- Dr. Roslinda Lim (Unit Convenor)
  Room : E4A242
  Phone : 9850 9173

- Ms. Yun Ping Chen (Deputy Convenor)
  Room : E4A218A
  Phone : 9850 4761
Mr. Toomas Truuvert (Lecturer)
Room : E4A228
Phone : 9850 8524

Mr. Damian Bridge (Lecturer)

All enquiries should be directed to the following email address:
Accg253@mq.edu.au

Please use e-mail as the first form of contact. Staff will only respond to emails that are sent by students from their Macquarie University email address.

CONSULTATION TIMES

Details regarding staff consultation times will be provided on the unit website. Consultation will commence in week 3.

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 e-mail. You may, however, phone 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

There are 3 hours face-to-face teaching per week consisting of one two-hour lecture and one one-hour tutorial. The timetable for classes can be found on the University web site at http://www.timetables.mq.edu.au/

YOU ARE REQUIRED TO ONLY ATTEND YOUR ALLOCATED LECTURE TO AVOID OVERCROWDING ISSUES.

ANY CHANGES TO TUTORIALS MUST BE MADE THROUGH E-STUDENT. IT IS IMPORTANT THAT YOU ATTEND YOUR ALLOCATED TUTORIAL TO RECEIVE YOUR TUTORIAL MARKS AND YOU SHOULD FINALISE YOUR TUTORIAL BY THE END OF WEEK 3.
PRIZES

Please refer to the following web site.
http://www.businessandeconomics.mq.edu.au/undergraduate_degrees/prizes_scholarships

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

Hard Copies of this text are available for purchase from the Macquarie University Co-op Bookshop and are also available in the Closed Reserve section at the library.

TECHNOLOGY USED AND REQUIRED

The website for this unit can be found at https://learn.mq.edu.au. Please visit the website for this unit regularly as it contains important information about the unit. Unit outline, announcements, lecture materials and tutorial solutions are available to download via the website.

To access the website you need to enter your username and password and you should contact the IT helpdesk located on C5C 244 if you need any assistance with assessing the website. The phone number for the helpdesk is 9850 4357.

LEARNING OUTCOMES

By the end of the unit, you should be able to:
1. Demonstrate an understanding of key issues faced by financial managers.
2. Explain the impact of financial decisions made by the finance manager on the value of the firm.
3. Demonstrate an understanding of the relation between risk and expected return.
4. Demonstrate an understanding of the concept of time value of money.
5. Perform valuation of securities via discounted cash flows.
6. Demonstrate an ability to evaluate investment projects.
7. Demonstrate a basic understanding of derivative securities.

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
a) Understand the three key financial decisions made by financial managers.
b) Ability to illustrate the impact of financial decisions on value.
c) Ability to evaluate investment projects.
d) Ability to perform valuation of securities.

2 Critical, Analytical and Integrative Thinking
3 Problem Solving and Research Capability
4 Effective Communication
5 Capable of Professional and Personal Judgement and Initiative

TEACHING AND LEARNING STRATEGY

Students are expected to attend a two-hour lecture and a one-hour tutorial each week. In the lecture, you will be given practical explanations and examples to supplement the text material which will help you to do tutorial questions. Lecture slides will be available on the unit website on Monday morning of the week of the lecture and you need to print and bring the lecture slides to the lecture.

Tutorials will commence in Week 2. The purpose of tutorials is to provide an interactive learning environment for students to apply and to have in-depth discussions of materials covered in the lecture. You are required to attend at least 10 tutorials. You are also required to do the weekly homework questions prior to attending the tutorial. Solutions to homework questions will be available on the website one week after the tutorials.

TUTORIAL PERFORMANCE WILL BE TAKEN INTO ACCOUNT WHEN CONSIDERING FOR SPECIAL CONSIDERATION. FOR SPECIAL CONSIDERATION TO BE GRANTED, YOU MUST ATTEMPT THE TUTORIAL COMPONENT OF ASSESSMENT.

Students are also urged to attend and participate in Peer Assisted Learnings (PAL) workshops. Whilst attendance at the PAL workshops is voluntary, these workshops have proven to be very useful to previous students. Please refer to “Peer Assisted Learnings (PAL) Support” section of this unit outline for details.

The list of topics to be covered each week is given at the end of the unit outline.

ASSESSMENT TASKS

In order to achieve the learning outcomes outlined above, the following assessment has been formulated.

Random weekly tutorial homework 10%
Diagnostic Test 5%
Mid-semester examination 30%
Final examination 55%
IN ORDER TO ACHIEVE A PASSING GRADE IN THIS UNIT, YOU ARE REQUIRED TO OBTAIN AN OVERALL PASSING GRADE AND SATISFACTORY PERFORMANCE IN THE FINAL EXAMINATION

You should inform a member of teaching staff immediately, if you are unable to fulfil any of the subject requirements.

Please note that the final grade is NOT the aggregate of your raw marks rather it is a reflection of your performance in all aspects of the subject.

Tutorial Homework (10%)
The purpose of the tutorial homework is to enhance student’s understanding of the basic corporate finance concepts and communication skills. Your tutor will collect your tutorial work FIVE TIMES RANDOMLY at the end of the tutorials and two marks will be awarded for satisfactory completion of each tutorial work. You can expect your tutor to return your homework the following week. You are strongly encouraged to discuss with your peers in relation to the homework but the homework submitted to your tutor must be your own work.

The following marks will be awarded:
2 marks – Satisfactory completion of the tutorial homework.
1 mark – Incomplete tutorial homework or poor attempts at the questions.
0 mark – Failure to submit the tutorial homework.

Diagnostic Test (5%)
The diagnostic test will be held at the beginning of tutorial in week 4. The diagnostic test will take 30 minutes. It will consist of 20 multiple choice questions. The purpose of the diagnostic test is to provide students with timely feedback to enable students to identify high risk areas. Students who fail the diagnostic test are urged to seek feedback from their tutor on how to modify their learning strategies in order to increase their likelihood of passing this subject. They are also urged to attend PAL workshops and consultations. The diagnostic test will include materials covered in lectures 1 to 3 inclusive. The diagnostic test papers will be returned to students in week 5.

Mid-semester Examination (30%)
The mid-semester examination will help to reinforce and enhance student understanding of financial issues faced by financial managers. The mid-semester examination will be of two hours duration with ten minutes of reading time. It is a closed book examination and will be held on Saturday, 18 September 2010 at 10am. The venue of the examination will be advised later. The exam will include materials covered in lectures 1 to 6 inclusive.

There will be no supplementary mid-semester examination. Therefore, absence from the mid-semester examination will, upon receipt of adequate documentation, increase the weighting on the final examination to 85%. You have to lodge an Advice of Absence form with the student centre by 5pm, Thursday, 23 September 2010 and you must provide documentary evidence to support your absence. AN ADVICE OF ABSENCE LODGED AFTER THIS DATE WILL NOT BE ACCEPTED. Students
approved for a final examination weighting of 85%, will be posted on the unit webpage.

The exam papers will be returned to students in week 9.

**Final Examination (55%)**
The purpose of the final examination is to enhance student ability to understand the corporate finance concepts covered in this subject. The final examination will be a closed-book exam and will be three hours in duration with 10 minutes of reading time. Non financial calculators may be used in the final exam. All materials covered in lectures and tutorials, including materials included in the prescribed text book are examinable.

Additional information on the final examination will be provided in the final lecture and also on the unit website in week 13. These are the **only sources** of information about the final examination and no correspondence will be entered into about the examination.

The best preparation for the final exam is to complete the weekly tutorial homework questions and lecture examples. You are also encouraged to discuss these materials with your peers.

The final examination for this unit will be held during the University Examination period. The University Examination period in in Second Half Year 2010 is from 17 November to 3 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. [http://www.timetables.mq.edu.au/exam](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](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. (Individual Faculties may wish to signal when the Faculties’ Supplementary Exams are normally scheduled.)

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](http://www.mq.edu.au/policy/docs/examination/policy.htm)
### RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

<table>
<thead>
<tr>
<th></th>
<th>Assessment Task 1</th>
<th>Assessment Task 2</th>
<th>Assessment Task 3</th>
<th>Assessment Task 4</th>
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<tr>
<td>Title/Name</td>
<td>Random Weekly Homework</td>
<td>Diagnostic Test</td>
<td>Mid-semester Exam</td>
<td>Final Exam</td>
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<td>18 September</td>
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<td>Feedback</td>
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<td>Week 5</td>
<td>Week 9</td>
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*NA = not applicable

### 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 http://www.mq.edu.au/policy/docs/academic_honesty/policy.html

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 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 website 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.

PEER ASSISTED LEARNING (PAL) SUPPORT

PAL workshops are a free weekly 1 hour class led by a student who has previously performed well in this subject. Attendance at PAL workshop is voluntary. You need to go to BESS (E4B 106) in weeks 1 and 2 to sign up for a PAL workshop. PAL workshops commence in week 3.

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. At all times, student ID cards must be displayed in the locations provided. Students are expected to act responsibly at all times when utilising University IT facilities. The following regulations apply to the use of computer labs and online services:

- Accessing inappropriate web sites, or downloading inappropriate material, are not permitted, material that is not related to coursework in units authorised to use these facilities 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 possibly result in criminal proceedings. Non-compliance with these conditions may result in disciplinary action without further notice.

Students are reminded to communicate to staff only through the Macquarie University email as this is the only official channel.
<table>
<thead>
<tr>
<th>Teaching Week</th>
<th>Lecture Pre-reading</th>
<th>Lecture Content</th>
<th>Tutorial Questions</th>
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<tbody>
<tr>
<td>1 Aug 2</td>
<td>Chapters 2 and 3</td>
<td>Introduction</td>
<td>No Tutorial</td>
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<td>Introduction to Finance, consumption, investment and the capital market and time value of money</td>
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<tr>
<td>2 Aug 9</td>
<td>Chapter 4</td>
<td>Security Valuation</td>
<td>Ch2: Q3,Q5;P1, P2, P6</td>
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<td>Using financial mathematics to value debt and equity securities</td>
<td>Ch3: P30, P40, P48</td>
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<td>3 Aug 16</td>
<td>Chapter 5</td>
<td>Project Evaluation I</td>
<td>Ch4: Q1, Q2, Q3, Q6; P3, P5, P7, P9</td>
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<td>Project Evaluation: Principles and Methods</td>
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<td>4 Aug 23</td>
<td>Chapter 6</td>
<td>Project Evaluation II</td>
<td>Ch5: Q3, Q11, Q12; P1, P2, P7</td>
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<td>Project Evaluation: Application</td>
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<tr>
<td>5 Aug 30</td>
<td>Chapter 7</td>
<td>Risk &amp; Return I</td>
<td>Ch6: Q2, Q5, Q11; P2, P7, P12</td>
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<td>Introduction to Risk and Return</td>
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<tr>
<td>6 Sept 6</td>
<td>Chapter 7</td>
<td>Risk &amp; Return II</td>
<td>Ch7: Q2, Q3, Q4, Q6; P1, P2, P4</td>
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<td>CAPM and Three factor model</td>
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<tr>
<td>7 Sept 13#</td>
<td>Chapter 11</td>
<td>Payout Policy</td>
<td>Ch7: Q5, Q8, Q9, Q10; P6, P7, P9</td>
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<td>Cash payments and its implications</td>
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<td>Mid-Semester Break</td>
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<td>8 Oct 5*</td>
<td>No Lectures</td>
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<tr>
<td>9 Oct 11</td>
<td>Chapter 12</td>
<td>Capital Structure I</td>
<td>Ch11: Q2, Q4, Q7, Q9; P1, P4, P5</td>
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<td>Principles of capital structure</td>
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<tr>
<td>10 Oct 18</td>
<td>Chapters 13 &amp; 14</td>
<td>Capital Structure II</td>
<td>Ch12: Q1, Q2, Q3, Q10, Q12; P4, P5, P7</td>
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<td></td>
<td></td>
<td>Capital structure decisions and the cost of capital</td>
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<tr>
<td>11 Oct 25</td>
<td>Chapter 16</td>
<td>Capital Market Efficiency</td>
<td>Ch13: Q1, Q2, Q8, Q15</td>
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<td>Concept of and test for market efficiency</td>
<td>Ch14: Q1; P3</td>
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<tr>
<td>12 Nov 1</td>
<td>Chapters 17 &amp; 18</td>
<td>Derivatives</td>
<td>Ch16: Q1, Q4,Q8, Q9, Q11, Q15</td>
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<td>Introduction to derivatives</td>
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<td>13 Nov 8</td>
<td>Revision Lecture</td>
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<td>Ch17: Q1, Q3, Q6, Q7, Q8; Ch18: Q1, Q3, Q4, Q6, Q7</td>
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</table>

# Sept 17 – Conception Day- Tutorials will proceed as normal on conception day.

* October 4 is a public holiday. Students enrolled in a Monday tutorial class please go to another tutorial class to cover the work for that week.