Year and semester: Semester 1, 2012.

Pre-requisites: Enrolment is conditional on completion of the following pre-requisites: ACCG100 or ACCG105 or ACCG106, and ECON111 or BBA103, and STAT170 or STAT171, and HSC Mathematics Band 2 or HSC Mathematics Extension 1 or Extension 2 or 3cp from MATH123-MATH136, and ACST101, and 27cp or GPA of 2.00.

Co-requisites: Nil

Not to count for credit with: AFIN252 Applied Financial Analysis and Management.

Credit points: 3 credit points.

Students in this unit should read this unit guide 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 principles 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 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

Unit convenor: Mr Damian Bridge, BEc(Hons) CPA CFA
Department of Applied Finance and Actuarial Studies
Email: damian.bridge@mq.edu.au.

Deputy unit convenor: Mr Keith Woodward, BCom (Hons)
Department of Applied Finance and Actuarial Studies

CONTACTING STAFF
Students should contact the unit convenor or their lecturer/tutor by email or posting query to iLearn in the first instance.

- Consultation times
  Detailed consultation times will be posted to iLearn in Week 1 of the semester. All consultation sessions shall be run at the Consultation Room at E4B104.

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 consultations by email.

Students experiencing significant difficulties with any topic in the unit must seek assistance immediately and not wait to the later part of the semester.

Students are also encouraged to make use of the Peer Assisted Learning (PAL) sessions. Please see the PAL timetable available on iLearn.

**CLASSES**

- Students should each week attend their allocated lecture of up to two hours duration, and their allocated 50 minute tutorial. Tutorials begin in Week 2 and cover material based on the preceding week's lecture topic.
- No lectures are given in Week 7, as this lecture time is reserved for the mid-semester test. The Week 7 tutorial classes are on as timetabled.
- Attendance at tutorials is very important for successful completion of assessment tasks in this unit. Tutors keep weekly attendance records. These may be taken into consideration in determining the overall unit result. The tutorial attendance record may also be taken into account in considering applications for supplementary end-of-semester final examinations.
- 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/)

**PRIZES**

- Information on prizes is available at MQ website: [http://www.businessandeconomics.mq.edu.au/undergraduate_degrees/prizes_scholarships](http://www.businessandeconomics.mq.edu.au/undergraduate_degrees/prizes_scholarships)
REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

Required Text (source for weekly tutorial questions)

Recommended Text
- Required and recommended texts can be purchased from the Macquarie University Co-op Bookshop.
- Recommended texts are available in the Macquarie Library.

TECHNOLOGY USED AND REQUIRED

- Financial non-programmable calculators can be used in the unit. A financial calculator is not essential as a scientific non-programmable calculator should meet all your needs (calculation of the Internal Rate of Return (IRR) is not required in any of the assessment tasks). Note: Only non-programmable calculators without text retrieval functionality are allowed for use in the unit’s assessments tasks.
- Excel or similar spreadsheeting tool will be required to complete the assignment.
- Students should have access to the internet.

UNIT WEB PAGE

- Course material and announcements are available on the learning management system (iLearn).
- Students should check iLearn regularly before each lecture, tutorial and assessment.

LEARNING OUTCOMES

The learning outcomes of this unit are:
1) Discuss fundamental aspects of the theory of the firm and outline current issues affecting corporate finance in Australia;
2) Explain financing and investing decisions made by finance managers;
3) Demonstrate understanding of the relation between risk and expected return, the time value of money, and valuation of securities via discounted cash flows;
4) Apply first principles in finance theory and fundamental analytical techniques to simple real-life problems.

GRADUATE CAPABILITIES

In addition to the discipline-based learning objectives, all academic programs at MQ seek to develop capabilities its graduates need in order to become effective and
engaged participants in society. The unit contributes toward this aim by supporting the following graduate capabilities:

1) Discipline specific knowledge and skills, such as: understanding of key terms; ability to discuss the key theoretical underpinnings; ability to apply finance theory to real-life practical problems; and ability to connect theory and practice;
2) Critical, analytical and integrative thinking;
3) Problem solving capability;
4) Effective communication;
5) Social and environmental responsibility;
6) Professional and personal judgement and initiative;
7) Commitment to continuous learning.

**LEARNING AND TEACHING ACTIVITIES**

The unit is delivered through weekly lectures and tutorial classes. Tutorial questions will mostly be sourced from the required textbook. The question numbers that will be discussed in tutorials will be posted to iLearn each week. Students should attempt these questions before tutorials. Brief answers to the tutorial questions will be posted on iLearn after each week.

To achieve the best possible results students should:

1) Attend all lectures and tutorial classes, though attendance is not compulsory;
2) As it is unlikely that tutors will be able to cover all questions and problems in each tutorial class, students should attempt and complete all assigned questions and problems before attending tutorial classes;
3) Tutorial questions and problems are assigned from the required text book;
4) Read the assigned chapters of the required text book before attending lectures;
5) Download lecture notes from iLearn, which are available weekly before lectures. Ensure these notes are brought to lectures.
6) Attend PAL sessions where difficulties are experienced.

**RESEARCH AND PRACTICE**

- This unit uses research from external sources including journal articles and other text books which will be made available on iLearn.
RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

The four assessment tasks are as follows (more information on iLearn):

<table>
<thead>
<tr>
<th>Title/Name</th>
<th>Assessment Task 1</th>
<th>Assessment Task 2</th>
<th>Assessment Task 3</th>
<th>Assessment Task 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>Class test (diagnostic)</td>
<td>Class test (mid-semester)</td>
<td>Group assignment</td>
<td>Final examination</td>
</tr>
<tr>
<td>Date</td>
<td>Saturday 24 March Time TBA</td>
<td>Tuesday 10 April Time TBA</td>
<td>Thursday 17 May at 12 Noon</td>
<td>MQ examinations period</td>
</tr>
<tr>
<td>Relative % weighting</td>
<td>10%</td>
<td>20%</td>
<td>20%</td>
<td>50%</td>
</tr>
<tr>
<td>Grading method</td>
<td>Multiple choice questions</td>
<td>Multiple choice and/or short answer questions</td>
<td>Against assessment criteria</td>
<td>MC, short answers, extensive calculations</td>
</tr>
<tr>
<td>Submission method</td>
<td>Examination</td>
<td>Examination</td>
<td>BESS</td>
<td>Centrally conducted examination</td>
</tr>
<tr>
<td>Feedback</td>
<td>iLearn overview</td>
<td>iLearn overview</td>
<td>Assignments returned</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Estimated workload</td>
<td>15 hours per week. The best resources are the lecture examples, tutorial questions and answers, text book and PAL sessions.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessed outcomes</td>
<td>1, 2, 3, 4</td>
<td>1, 2, 3, 4</td>
<td>1,2,3,4</td>
<td>1, 2, 3, 4</td>
</tr>
<tr>
<td>Assessed capabilities</td>
<td>1, 2, 3, 4, 7</td>
<td>1, 2, 3, 4, 7</td>
<td>1, 2, 3, 4, 5, 6, 7</td>
<td>1, 2, 3, 4, 5, 6, 7</td>
</tr>
</tbody>
</table>

1) Diagnostic test (relative weight 10%): Held on Saturday 24 March, details of time and room will be announced on iLearn. This closed book test covers lecture topics from Weeks 1-2-3.
   **Note:** no supplementary diagnostic test will be offered. If this assessment task is not attempted on the date scheduled, please lodge an application for special consideration (supported by a Professional Authority Form (PAF)) by the Week 7 deadline - Friday 27 April. Only if a special consideration is granted will the relative weight be added to the relative weight of the end-of-semester final examination.

2) Mid-semester test (relative weight 20%): Held on Tuesday 10 April, details of time and room will be announced on iLearn. This closed book test covers lecture topics from Weeks 1-2-3-4-5.
   **Note:** no supplementary mid-semester test will be offered. If this assessment task is not attempted on the date scheduled, please lodge an application for special consideration (supported by a PAF) by the Week 8 deadline - Friday 4 May. Only if a special consideration is granted will the 20% relative weight be added to the relative weight of the end-of-semester final examination.
3) Group Assignment (relative weight 20%): This will be an in-depth real-world capital budgeting/project evaluation exercise. Students will be required to rate their group members' individual contributions. Details will be provided on iLearn. Late submissions will attract a penalty of 10% of the final grade for this assessment task for each day late.

4) The final examination will be a 2 hour closed book test held during the University Examination period. It will cover all lecture topics, with an emphasis on Weeks 6-12. Students must pass the final exam to pass the course overall.

The 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 exam.

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://exams.mq.edu.au/

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

**GRAD**

Macquarie University uses the following grades in coursework units of study:

- HD - High Distinction
- D - Distinction
- CR - Credit
- P - Pass
- F - Fail

Grade descriptors and other information concerning grading are contained in the Macquarie University Grading Policy which is available at: http://www.mq.edu.au/policy/docs/grading/policy.html

**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.

http://www.businessandeconomics.mq.edu.au/new_and_current_students/undergraduate_current_students/how_do_i/grade_appeals

**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/policy.html

**STUDENT SUPPORT SERVICES**

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

In particular, students are encouraged to make use of consultation sessions (you may attend any session with any tutor) and PAL sessions.
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 using 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 units 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.
<table>
<thead>
<tr>
<th>Lecture Week</th>
<th>Calendar Week</th>
<th>Text Chapter for Lectures</th>
<th>Lecture Topic</th>
<th>Text Chapter for Tutorials*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>27 Feb</td>
<td>3</td>
<td><em>Introduction to unit and assessment tasks.</em> Time value of money, financial maths and debt valuation.</td>
<td>No tutorials</td>
</tr>
<tr>
<td>2</td>
<td>5 Mar</td>
<td>4</td>
<td>Advanced equity and debt valuation.</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>12 Mar</td>
<td>5</td>
<td>Project evaluation: NPV, IRR and other investment criteria.</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>19 Mar</td>
<td>6</td>
<td>Cash flows. How to calculate from financial statements and which to include and ignore.</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Diagnostic Test (10%)</strong> on Saturday 24 March.</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>26 Mar</td>
<td>9 &amp; 10</td>
<td>The types of equity and debt and how firms use them.</td>
<td>6</td>
</tr>
<tr>
<td>6</td>
<td>2 Apr</td>
<td>7</td>
<td>Portfolio risk and return, and the CAPM.</td>
<td>9 &amp; 10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Mid-semester Test (20%)</strong> on Tuesday 10 April.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Mid-semester break. No lectures or tutorials from 7 Apr - 22 Apr.</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>23 Apr</td>
<td>No lectures</td>
<td><em>No lectures due to ANZAC day holiday on Wednesday 25 April. Tutorials still on, see iLearn.</em></td>
<td>7</td>
</tr>
<tr>
<td>8</td>
<td>30 Apr</td>
<td>12</td>
<td>Principles of capital structure: Leverage, M&amp;M and the WACC.</td>
<td>7</td>
</tr>
<tr>
<td>9</td>
<td>7 May</td>
<td>14</td>
<td>Advanced project evaluation.</td>
<td>12</td>
</tr>
<tr>
<td>10</td>
<td>14 May</td>
<td>11</td>
<td>Payout policy: dividends, buybacks, M&amp;M, and signalling.</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Group assignment (20%)</strong> due Thursday 17 May at 12 noon.</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>21 May</td>
<td>16</td>
<td>Capital market efficiency.</td>
<td>11</td>
</tr>
<tr>
<td>12</td>
<td>28 May</td>
<td>17 &amp; 18</td>
<td>Derivatives: futures and options.</td>
<td>16</td>
</tr>
<tr>
<td>13</td>
<td>4 Jun</td>
<td>17 &amp; 18</td>
<td><em>Revision and overview of end-of-semester final examination</em></td>
<td>17 &amp; 18</td>
</tr>
</tbody>
</table>

* Refer to iLearn each week to find the tutorial questions from the recommended textbook.