



AFIN808

Corporate Finance

S1 Evening 2014

Applied Finance and Actuarial Studies

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General Information

Unit convenor and teaching staff

Lecturer

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Unit Convenor

Peter Kavalamthara

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By appointment via email

Credit points

4

Prerequisites

ACST603 or AFIN858 or admission to MCom or MIntBus or MEc or MActPrac prior to 2011

Corequisites

Co-badged status

Unit description

The objective of this unit is to explore the theory and application of corporate finance issues at an advanced level, and to equip students with the required depth of knowledge and skill expected of a professional.

Following a brief revision of basic financial concepts covered in earlier finance courses, the unit investigates the more complicated theoretical issues and analytical techniques in corporate finance. In particular, a critical approach is adopted which involves identifying the assumptions and limitations of these techniques when applied to the real world. Students are encouraged to understand that often the best method is a matter of debate, and that they must choose a method from a group of methods all of which have various limitations. This critical approach is reinforced by examining a number of real life corporate finance projects.

Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at <https://www.mq.edu.au/study/calendar-of-dates>

Learning Outcomes

On successful completion of this unit, you will be able to:

- To understand basic investment and finance concepts.
- To be competent in applying capital budgeting techniques.
- To understand the role of the risk-return relationship and market efficiency.
- To have a good understanding of the effects of leverage and of capital structure theory.
- To be able to understand the value of flexibility and a real options approach.
- To be able to analyse the effects of different corporate shapes, including mergers and project financing.

Assessment Tasks

Name	Weighting	Due
<u>Assessed Coursework</u>	10%	Random weeks
<u>Presentation</u>	15%	Allocated week
<u>Class Test</u>	20%	Week 7
<u>Final Exam</u>	55%	See Exam Timetable

Assessed Coursework

Due: **Random weeks**

Weighting: **10%**

Each collection is worth a maximum of 5%. There will be two random collections during the semester. To get full marks students need to add some insight to the standard solution. Students who copy the text-book solution word for word will receive 0 marks.

No extensions will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0 for the task, except for cases in which an application for special consideration is made and approved

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Presentation

Due: **Allocated week**

Weighting: **15%**

Students will be formed into groups. Each group will be allocated a topic on a key concept or an application of finance. The group will research the topic, prepare a report and present it to the class in 20 minutes (including 5 minutes for discussions) in their allocated week. The report will be a combination of notes and presentation slides. It will be submitted through Turnitin and a hard-copy will be handed-in to the lecturer in the allocated week. The presentation will be graded based on content and delivery. Depth of research, relevance of contents to the topic, organisation of ideas and students' ability to give the audience insights - to engage, inspire, persuade, and energise the audience. Every student must participate in the group presentations and report so that individual student contribution to the group presentations and report can be identified. Each member of a group will be required to complete an assessment of the contributions of individual members.

No extensions will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0 for the task, except for cases in which an application for special consideration is made and approved.

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- To be competent in applying capital budgeting techniques.
- To understand the role of the risk-return relationship and market efficiency.
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Class Test

Due: **Week 7**

Weighting: **20%**

A 1-hour in-class test will be conducted in the week 7 class. Please present yourself at the enrolled time and place of your lecture. The test will contain both theoretical and calculation questions in the multiple choice format and it will help you to monitor your progress in accomplishing learning outcomes 1, 2 and 3. If you are unable to attend the test and your special consideration request is approved, the weight of the test will be added to your final exam mark.

On successful completion you will be able to:

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- To be competent in applying capital budgeting techniques.
- To understand the role of the risk-return relationship and market efficiency.

Final Exam

Due: **See Exam Timetable**

Weighting: **55%**

In order to pass the unit, students must pass the final exam. The content of the final exam will give greater weight to topics covered later in the course (that is, topics not covered by the class test).

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Delivery and Resources

CLASSES

The Unit involves 3 hours face-to-face teaching per week consisting of a 3 hour seminar. The timetable for classes can be found on the University website at:

<http://www.timetables.mq.edu.au/>

There will be thirteen lectures conducted in the following classes:

Mon Room W6B 336, 9am to 12pm

Lecturer: Peter John

Mon Room E6A 133, 6pm to 9pm

Lecturer: Peter John

Wed Room E6A 133, 9am to 12pm

Lecturer: Narelle Gordon

Wed Room E6A 133, 3pm to 6pm

Lecturer: Narelle Gordon

Attendance at seminars is a compulsory component of the Unit, and students are expected to attend all classes. If a student misses more than 2 classes then they could be given a written warning that non-attendance can lead to a Fail grade. Further absence at classes can trigger a recommendation of a Fail grade in the Unit.

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

Prescribed

Brealey, Myers and Allen, Principles of Corporate Finance, 11th Edition, McGraw Hill Irwin.

The prescribed text can be purchased from the Macquarie University Co-op Bookshop.

UNIT WEB PAGE

The unit Website is only available to students enrolled in AFIN808. It will be available from Monday 3 March. Students will be able to access the unit web page by the use of their normal university user/password details. Please contact the IT Help Desk if you have any difficulties accessing the unit web page:

Phone:(02)9850HELP(4357) Option1 or Freecall:1800063191

FacetoFace: ITHelpDesk, C5C244

24/7Email:help@mq.edu.au

The Website will contain important unit materials, including:

- Course details — An outline of the unit, including assessment tasks
- Announcements—notices updating students on important matters regarding the unit.
- Assignment
- Suggested answers and solutions to homework questions
- Results — for assignment and other assessable material.

LEARNING AND TEACHING ACTIVITIES

This is meant to be a 2nd unit in corporate finance. Most students will have completed an introductory financial management / corporate finance unit. As a more advanced unit, some of the topics covered will be familiar to students but we will be covering them at a more in - depth level. Some other topics will be completely new. As in the introductory unit, students need to work through the quantitative and other problems which are selected each week from the text. However, an important objective of this unit is to make the student aware of the limitations of financial theory and of the assumptions made in making finance and investment decisions.

TECHNOLOGY USED AND REQUIRED

The Text book provides access to various on-line resources. Further, a number of the class exercises are designed to be completed using excel. Students are encouraged to use excel when attempting these

exercises.

CHANGES TO THE UNIT SINCE LAST SEMESTER

There are no major changes to the topics, although there is some change in content relating to real options and project finance topics. There has been some re-weighting of the assessment components with the inclusion of written report and presentation.

Unit Schedule

Week	Week Beg	Topics	Brealey-Myers Chapters	Problems
1	Mar 3	The Scope of Corporate Finance	1, 33, 2	1:6,7,11 / 33: 10,11,14/ 2:25,30,32,35,36
2	Mar 10	Valuation and Capital Budgeting	3, 4, 5, 6	3:10,12,32 / 4:20,25,27 / 5:12,15 / 6:18,19,24
3	Mar 17	Risk and Return	7, 8, 9	7: 5,7,20/ 8:1,6,8,19/9:11,13,20
4	Mar 24	Market Efficiency	11, 13	11:8,10,18 /13:11,17,19
5	Mar 31	Capital Structure	17, 18, 19	17:9,13,22,24 / 18:5,22,23/ 19:7,17,19
6	Apr 7	Equity and Signalling	14, 15, 16	15:7,14,15 / 16:21,23,27
		SEMESTER BREAK		
7	Apr 28	Debt and Information Assymetry IN-CLASS TEST	23, 24	23:2,4,14 / 24:8,14,20,24
8	May 5	Corporate Restructuring and Private Equity	32	32:12,13,15,16
9	May 12	Uncertainty in Capital Budgeting	10, 20	10:9,13,18/20:7,4,15,23
10	May 19	Real Options	21, JP Ch. 22*	21:5,11,18 /JP Ch. 22*:3,5a,b,c,6,12, 13,15,16
11	May 26	Mergers and Acquisitions	31, 32	31:2,3,6,9,12,17
12	Jun 2	Project & Infrastructure Financing	Reading on the iLearn	TBA
13	Jun 9	Revision		

*JP Ch. 22 – Jonathan Berk, Peter DeMarzo (2013), Corporate finance, 3e, Pearson Global Edition.

Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](#). Students should be aware of the following policies in particular with regard to Learning and Teaching:

Academic Honesty Policy http://mq.edu.au/policy/docs/academic_honesty/policy.html

Assessment Policy <http://mq.edu.au/policy/docs/assessment/policy.html>

Grading Policy <http://mq.edu.au/policy/docs/grading/policy.html>

Grade Appeal Policy <http://mq.edu.au/policy/docs/gradeappeal/policy.html>

Grievance Management Policy http://mq.edu.au/policy/docs/grievance_management/policy.html

Disruption to Studies Policy http://www.mq.edu.au/policy/docs/disruption_studies/policy.html *The Disruption to Studies Policy is effective from March 3 2014 and replaces the Special Consideration Policy.*

In addition, a number of other policies can be found in the [Learning and Teaching Category](#) of Policy Central.

Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: https://students.mq.edu.au/support/student_conduct/

Supplementary Exams

Further information regarding supplementary exams, including dates, is available here

http://www.businessandconomics.mq.edu.au/current_students/undergraduate/how_do_i/special_consideration

Student Support

Macquarie University provides a range of support services for students. For details, visit <http://students.mq.edu.au/support/>

Learning Skills

Learning Skills (mq.edu.au/learningskills) provides academic writing resources and study strategies to improve your marks and take control of your study.

- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module for Students](#)
- [Ask a Learning Adviser](#)

Student Services and Support

Students with a disability are encouraged to contact the [Disability Service](#) who can provide appropriate help with any issues that arise during their studies.

Student Enquiries

For all student enquiries, visit Student Connect at ask.mq.edu.au

IT Help

For help with University computer systems and technology, visit <http://informatics.mq.edu.au/help/>.

When using the University's IT, you must adhere to the [Acceptable Use Policy](#). The policy applies to all who connect to the MQ network including students.

Graduate Capabilities

PG - Discipline Knowledge and Skills

Our postgraduates will be able to demonstrate a significantly enhanced depth and breadth of knowledge, scholarly understanding, and specific subject content knowledge in their chosen fields.

This graduate capability is supported by:

Learning outcomes

- To understand basic investment and finance concepts.
- To be competent in applying capital budgeting techniques.
- To understand the role of the risk-return relationship and market efficiency.
- To have a good understanding of the effects of leverage and of capital structure theory.
- To be able to understand the value of flexibility and a real options approach.
- To be able to analyse the effects of different corporate shapes, including mergers and project financing.

Assessment tasks

- Assessed Coursework
- Class Test
- Final Exam

PG - Research and Problem Solving Capability

Our postgraduates will be capable of systematic enquiry; able to use research skills to create new knowledge that can be applied to real world issues, or contribute to a field of study or practice to enhance society. They will be capable of creative questioning, problem finding and problem solving.

This graduate capability is supported by:

Learning outcomes

- To understand basic investment and finance concepts.
- To be competent in applying capital budgeting techniques.
- To understand the role of the risk-return relationship and market efficiency.

- To have a good understanding of the effects of leverage and of capital structure theory.
- To be able to understand the value of flexibility and a real options approach.
- To be able to analyse the effects of different corporate shapes, including mergers and project financing.

Assessment tasks

- Assessed Coursework
- Presentation
- Class Test
- Final Exam

PG - Effective Communication

Our postgraduates will be able to communicate effectively and convey their views to different social, cultural, and professional audiences. They will be able to use a variety of technologically supported media to communicate with empathy using a range of written, spoken or visual formats.

This graduate capability is supported by:

Learning outcomes

- To understand the role of the risk-return relationship and market efficiency.
- To have a good understanding of the effects of leverage and of capital structure theory.
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Assessment task

- Presentation

Research and Practice

Research and Practice

- This unit uses research from external sources (references)
- This unit gives you practice in applying research findings in your assessments.
- This unit gives you an opportunity to learn software used in industry.

There is a close relationship between theory and practice in corporate finance. Every day the media is filled with events relevant to corporate finance. Students should constantly be looking for examples of the theory from a topic, as reflected in a media story.

Changes since First Published

Date	Description
28/02/2014	The Description was updated.