



AFIN858

Financial Management and Policy

S2 Day 2014

Applied Finance and Actuarial Studies

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Disclaimer

Macquarie University has taken all reasonable measures to ensure the information in this publication is accurate and up-to-date. However, the information may change or become out-dated as a result of change in University policies, procedures or rules. The University reserves the right to make changes to any information in this publication without notice. Users of this publication are advised to check the website version of this publication [or the relevant faculty or department] before acting on any information in this publication.

General Information

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Credit points

4

Prerequisites

(ACCG849 or ECON649) and (ACCG615 or ACCG860) and (ACCG862 or ACCG923)

Corequisites

Co-badged status

Unit description

This unit introduces participants to first principles of contemporary financial theory and practice. Topics include financial mathematics, financial markets and instruments, valuation of securities, measurement and analysis of risk including portfolio theory, investment decisions and evaluation, cost of capital, capital structure policy, and dividend policy. This prepares participants to learn more complex theoretical and analytical techniques, and enables them to apply their knowledge to real life corporate finance situations.

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:

Describe selected key features of the operational and regulatory environments of corporate financial management in Australia.

Explain the time value of money and the risk and return trade-off principles, and demonstrate their use in corporate financial decision making.

Discuss corporate investment, funding and dividend choices, and apply these to typical situations in corporate financial management.

Formulate a team-based consensus view on a company's capital budgeting proposal, and in a written report make a recommendation to its Board of Directors.

General Assessment Information

Grading Policy: assessment in this unit is informed by the [MQ Grading Policy](#).

Standardised Numerical Grade (SNG): a *Standardised Numerical Grade (SNG)* gives you an indication of how you have performed within the band for your descriptive grade. The SNG is not a mark, and you may not be able to work it out based on your raw examination and other assessment marks. Nor are you able to determine you are “one mark away” from a different grade.

Rubric: the *Case Study* will be assessed against criterion and performance standards set out in a marking *Rubric*, which will be provided to project teams as a resource appended to the case study.

'Double Pass' Rule: to be eligible to pass this unit, a pass is required in the final examination.

Disruption to Study: if your disruption to study is deemed 'Serious and Unavoidable', and thus meets the criteria for Special Consideration set out in the [Disruption to Studies Policy](#), you will receive an additional opportunity to demonstrate that you have met the learning outcomes for this assessment task. Otherwise, there will be no provision of an additional assessment task. For information, including results of disruption e.g. 'preparation affected' or 'examination performance affected', please refer to the Disruption to Studies Policy [Outcomes](#) and [Supporting Evidence](#).

Late Submission of Assessment Item: no extensions will be granted. If you have not submitted an assessment item prior to its deadline you will received a mark of zero ("0") for the task, except for cases in which an application for special consideration is made and approved.

Viewing Within Session Assessment Task Marks: it is the responsibility of students to view their marks for each within session assessment on iLearn within 20 working days of posting. If there

are any discrepancies, students must contact the unit convenor immediately. Failure to do so will mean that queries received after the release of final results regarding assessment marks (not including the final exam mark) will not be addressed.

Assessment Tasks

Name	Weighting	Due
Quiz	10%	Week 3,4,5,6,7,8,9,10,11,12,13
Class Test	15%	Week 7
Case Study	15%	Week 12
Final Examination	60%	Examination Period

Quiz

Due: **Week 3,4,5,6,7,8,9,10,11,12,13**

Weighting: **10%**

Quiz is an individual 'open-book' assessment task, attempted at a venue of your choice, and submitted 'on-line' in AFIN858-iLearn.

The 11 weekly quizzes will cover topics listed in the Unit Schedule, through a mix of 'theory' and 'problem solving' questions, eliciting responses from sets of 5 pre-determined alternatives i.e. 'multiple-choices', requiring selection of 'ONE best' alternative as your answer. No 'negative' marking applies. Up to 10 (inclusive) of your highest quiz scores will be counted toward the overall result. Total time available will be 60 minutes per quiz.

In addition, make sure to read the *Quiz Information*, which will be issued in AFIN858-iLearn providing detailed information about this assessment task.

On successful completion you will be able to:

- Describe selected key features of the operational and regulatory environments of corporate financial management in Australia.
- Explain the time value of money and the risk and return trade-off principles, and demonstrate their use in corporate financial decision making.
- Discuss corporate investment, funding and dividend choices, and apply these to typical situations in corporate financial management.

Class Test

Due: **Week 7**

Weighting: **15%**

Class Test is an individual 'closed-book' assessment task, attempted during in-class time at your

scheduled venue, under invigilated and time-limited conditions, and submitted at this venue.

The class test will cover Week 1 through Week 6 topics (not Week 6 Q&P's) listed in the Unit Schedule, through a mix of 'theory' and 'problem solving' questions, eliciting: (a) responses from sets of 5 pre-determined alternatives i.e. 'multiple-choices', requiring selection of 'ONE best' alternative as your answer; (b) short to medium length answers to 'theory' questions; and (c) short to medium length calculations to 'problem solving' questions. Some questions will have sub-parts. Total time available will be 70 minutes including 'reading' time.

'Reference' ('Crib' or 'Formula') Sheet: will not be permitted. Required formula and mathematical (financial) tables will be appended to the class test question paper.

In addition, make sure to read the *Class Test Information*, which will be issued in AFIN858-iLearn providing detailed information about this assessment task.

On successful completion you will be able to:

- Describe selected key features of the operational and regulatory environments of corporate financial management in Australia.
- Explain the time value of money and the risk and return trade-off principles, and demonstrate their use in corporate financial decision making.
- Discuss corporate investment, funding and dividend choices, and apply these to typical situations in corporate financial management.

Case Study

Due: **Week 12**

Weighting: **15%**

Case Study is a team-based assessment task, attempted in a project format during out-of-class time, and submitted on-line in AFIN858-iLearn *Turnitin*.

The case study will require formulation of a team-based consensus view on a company's capital budgeting proposal, and the preparation of a written report (1,000 words limit, plus appendices) outlining your team's recommendation to its Board of Directors. Reports will be assessed against criterion and performance standards set out in a marking *Rubric*, which will be provided to teams as a resource. A team mark, feed-back and feed-forward will be provided in AFIN858-iLearn *GradeMark* (assessment software) format. Individual team member marks will be available in AFIN858-iLearn *GradeBook*.

In addition, make sure to read the *Case Study Information*, which will be issued in AFIN858-iLearn providing detailed information (including configuration of project teams) about this assessment task.

On successful completion you will be able to:

- Explain the time value of money and the risk and return trade-off principles, and demonstrate their use in corporate financial decision making.

- Discuss corporate investment, funding and dividend choices, and apply these to typical situations in corporate financial management.
- Formulate a team-based consensus view on a company's capital budgeting proposal, and in a written report make a recommendation to its Board of Directors.

Final Examination

Due: **Examination Period**

Weighting: **60%**

Final Examination is an individual 'closed book' assessment task, attempted at an examination venue as timetabled by MQ Examinations, under invigilated and time-limited conditions, and submitted at the examination venue.

The final examination will cover Week 1 through Week 13 topics, as listed in the Unit Schedule, in a mix of 'theory' and 'problem solving' questions eliciting: (a) through a mix of 'theory' and 'problem solving' questions, eliciting: (a) responses selected from sets of 5 pre-determined alternatives i.e. 'multiple-choices', requiring you to select the 'ONE best' alternative as the preferred answer; (b) medium to extended length answers, to 'theory' questions; and (c) medium to extended length calculations, to 'problem solving' questions. Several questions will have sub-parts. Total time available will be 180 minutes plus 10 minutes of 'reading' time.

Please note that a *Double Pass* rule applies: to be eligible to pass this unit, a pass is required in the final examination.

Moreover, note that past examination question paper topics and questions are not reliable predictors of the current session's examination question paper topics and questions. The Week 13 class will include a brief presentation on the final examination structure, types of questions and content examined. Meanwhile, you should expect all topics listed in the Unit Schedule to be eligible for inclusion in the final examination question paper.

'Reference' ('Crib' or 'Formula') Sheet: you are permitted ONE A4 page of paper containing reference material printed on both sides. The material may be handwritten or typed. The page will not be returned at the end of the final examination.

In addition, make sure to read the current [Final Examination Policy](#) and [Final Examination Procedure](#).

On successful completion you will be able to:

- Describe selected key features of the operational and regulatory environments of corporate financial management in Australia.
- Explain the time value of money and the risk and return trade-off principles, and demonstrate their use in corporate financial decision making.
- Discuss corporate investment, funding and dividend choices, and apply these to typical situations in corporate financial management.

Delivery and Resources

Delivery

Mode: 1 weekly class (3 hours). Attendance is not compulsory. However, in our experience, regular weekly in-class participation can contribute to your overall performance. In-class participation includes discussion on weekly lecture topics, and short presentations of assigned homework. Lecturers will note your in-class participation, so attend only the class in which you are enrolled. Please note that students enrolled in any one class have priority access to venue seating on a first-come-first serve basis.

Workload: estimated to about 150 hours in total (or 12 hours per week, on the average) for a post-graduate unit with 4 credit points. The workload includes weekly pre-lecture reading, in-class participation, weekly homework, preparation for assessment tasks, attempts at 'take home' assessment tasks including case study project work during the 2 week mid-semester non-teaching period. Please note that your personal workload may vary from the estimated workload.

Weekly Preparation: in-class participation is expected from everyone. Therefore, come well prepared to class.

- Pre-lecture reading: we expect that in preparation for in-class participation you will attempt pre-lecture reading of chapters in the textbook, lecture slides, plus any additional occasional material including practitioner journal and financial press articles.
- Homework: we expect that in preparation for in-class participation you will attempt assigned CQ's and Q&P's homework.

We strongly recommend that you seek to develop a thorough understanding of the Week 1 and Week 2 lecture topics and homework, as a good grasp of these first principles are essential in developing a working knowledge and understanding of the subsequently more complex concepts and techniques.

Homework: will be discussed and presented during in-class time in the week following the topic lecture (e.g. the Week 5 topic "Risk and Return - Part I" will be discussed and presented in Week 6). Please note that homework will not be collected for marking. It is your responsibility to check homework using the Q&P's suggested answers and solutions guides that will be issued weekly on Friday's in AFIN858-iLearn but not until Q&P's have been discussed during in-class time. Contingent on how in-class activity unfolds, some weeks the full set of Q&P's may not be discussed during in-class time. It is your responsibility to make sure to work through the full set of Q&P's during out-of-class time. Suggested answers to CQ's will only be discussed during in-class time. Make sure to ask your class lecturer if anything regarding homework seems unclear.

Resources

Textbook: Ross, S., Bianchi, R., Christensen, M., Drew, M., Westerfield, R. and B. Jordan. 2014. *Fundamentals of Corporate Finance* (6th ed.) N.Ryde, NSW, Australia: McGraw-Hill

Education. ISBN 9781743079485 (this ISBN includes [Connect](#)). Weekly readings and homework are set from this textbook.

[Connect](#): a publisher provided, operated and supported 'on-line' learning resource. It is enclosed (or 'wrapped') with the required textbook, if you purchase it through the on-campus [Co-Op Books hop](#). Instructions on accessing [Connect](#), and its features, will be available in AFIN858-iLearn. Contact the publisher directly for assistance with your [technical](#) and [content](#) enquiries.

We strongly recommend that you purchase a copy of the textbook, especially as only a few copies of the textbook will be available but on a restricted access basis at the MQ Library 'Closed Reserve'.

Recommended References: can include recent editions of e.g.:

- Tannous, Brown, Kopp & Zima. *Mathematics of Finance*. McGraw-Hill.
- Petty, Scott, Martin, Burrow, Martin & Nguyen. *Financial Mathematics*. Pearson.
- Peirson, Brown, Easton, Howard & Pinder. *Business Finance*. McGraw-Hill.
- Brealey, Myers, & Marcus. *Fundamentals of Corporate Finance*. McGraw-Hill.

Please note that you are not required to purchase these reference titles.

Technologies Used and Required: you will need a calculator (non-programmable, either scientific or financial, without text capability) to successfully attempt homework, in-class work, and assessment tasks. Moreover, you will require access and skills to operate a computer and software including: 'word processing'; 'spreadsheet'; and 'internet browsers'. In addition, you will need skills to conduct searches for information in the MQ Library 'catalogues', MQ Library 'databases', and MQ Periodicals 'on-line'. Lastly, you will need skills to use 'iLearn', and attempt quizzes on-line in 'AFIN858-iLearn'.

AFIN858-iLearn: make sure to visit the site at least every few days, especially the 'Announcements' section, so that you have timely access to important information and unit material including general announcements, assessment information and results, and suggested answers and solutions to assigned weekly Q&P's.

Unit Schedule

Week	Date	Topic#	Chapter	Homework-CQ's*	Homework-Q&P's**
1	Aug 4	Introduction to Financial Management and Policy	Ch 1 (<u>not</u> 1.7) & Ch 2	1.2; 1.4; 1.5; 2.1	1.3; 2.2; 2.6; 2.12; 2.17; 2.23
2	Aug 11	Financial Statements and Long-term Financial Planning	Ch 3 & Ch 4	Refer to AFIN858-iLearn	Refer to AFIN858-iLearn
3	Aug 18	Valuation of Future Cash Flows - Part I	Ch 5	"	"

Week	Date	Topic#	Chapter	Homework-CQ's*	Homework-Q&P's**
4	Aug 25	Valuation of Future Cash Flows - Part II	Ch 6	"	"
5	Sep 1	Risk and Return - Part I	Ch 10	"	"
6	Sep 8	Risk and Return - Part II	Ch 11	"	"
7 [^]	Sep 15	Current Investment Decisions	Ch 14 (<u>not</u> 14.4) Ch 15 (<u>not</u> pp.481-2) Ch 16 (<u>only</u> 16.1;16.5;16.7)	"	"
	Sep 22	Mid-semester	2 Week	Non-teaching	Period
8 ^{^^}	Oct 6	Capital Budgeting - Part I	Ch 7	"	"
9	Oct 13	Capital Budgeting - Part II	Ch 8 (<u>not</u> pp. 246-7)	"	"
10	Oct 20	Capital Budgeting - Part III	Ch 9	"	"
11	Oct 27	Cost of Capital and Long-term Financing - Part I	Ch 17	"	"
12	Nov 3	Cost of Capital and Long-term Financing - Part II	Ch 19	"	"
13	Nov 10	Cost of Capital and Long-term Financing - Part III	Ch 18	"	"

#Refer to the weekly lecture note cover page for detailed topic description.

*CQ refers to 'Concept Question' e.g. Ch. 1. CQ 1.3 (p. 12), and so on weekly. Discussed during in-class time in the week following the topic lecture (e.g. the Week 5 topic "Risk and Return - Part I" homework will be discussed in Week 6).

**Q&P refers to 'Questions and Problems' e.g. Ch. 2 Q&P 2.21 (p. 60), and so on weekly. Discussed during in-class time in the week following the topic lecture (e.g. the Week 5 topic "Risk and Return - Part I" homework will be discussed in Week 6).

[^]Week 7 is followed by a 2 week non-teaching period. For MQ policy regarding work during the non-teaching period, please refer to the heading "Delivery and Resources" section "Workload".

^{^^}Week 8 Monday October 6 is a public holiday. Information regarding availability and venue of alternative classes will be issued in AFIN858-iLearn 'Announcements'.

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

Disruption to Studies Policy

Further information regarding disruption to studies policy is available here

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

http://www.mq.edu.au/policy/docs/disruption_studies/schedule_outcomes.html

http://www.mq.edu.au/policy/docs/disruption_studies/schedule_evidence.html

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

- Describe selected key features of the operational and regulatory environments of corporate financial management in Australia.
- Explain the time value of money and the risk and return trade-off principles, and demonstrate their use in corporate financial decision making.
- Discuss corporate investment, funding and dividend choices, and apply these to typical situations in corporate financial management.

Assessment tasks

- Quiz

- Class Test
- Case Study
- Final Examination

PG - Critical, Analytical and Integrative Thinking

Our postgraduates will be capable of utilising and reflecting on prior knowledge and experience, of applying higher level critical thinking skills, and of integrating and synthesising learning and knowledge from a range of sources and environments. A characteristic of this form of thinking is the generation of new, professionally oriented knowledge through personal or group-based critique of practice and theory.

This graduate capability is supported by:

Learning outcomes

- Describe selected key features of the operational and regulatory environments of corporate financial management in Australia.
- Explain the time value of money and the risk and return trade-off principles, and demonstrate their use in corporate financial decision making.
- Discuss corporate investment, funding and dividend choices, and apply these to typical situations in corporate financial management.
- Formulate a team-based consensus view on a company's capital budgeting proposal, and in a written report make a recommendation to its Board of Directors.

Assessment tasks

- Class Test
- Case Study
- Final Examination

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 outcome

- Formulate a team-based consensus view on a company's capital budgeting proposal, and in a written report make a recommendation to its Board of Directors.

Assessment task

- Case Study

Changes from Previous Offering

The 1st semester 2014 assessment task labelled 'Report' has been slightly modified for 2nd semester 2014. The 2nd semester 2014 version is supported by a case study, and thus the assessment task has been re-labelled 'Case Study'.

Research and Practice

Case Study is a team-based assessment task, requiring formulation of a team-based consensus view on a company's capital budgeting proposal, and preparation of a written report outlining your team's recommendation to its Board of Directors. Thereby the case study provides opportunities to enhance your skills in: team work; critical-analytical-integrative thinking; research; and report writing.