



AFIN858

Financial Management and Policy

S1 Day 2014

Applied Finance and Actuarial Studies

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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 the financial decision making environment
- Explain and demonstrate the principle of time value of money (TVM)
- Extend the principle of time value of money (TVM) to valuation of future cash flows
- Explain and demonstrate the risk and return trade-off
- Explain and demonstrate principles of investment decision making
- Describe essential issues in long term financing

Assessment Tasks

Name	Weighting	Due
Quiz	10%	Week 3,4,5,6,7,8, 9,10,11,12
Class Test	15%	Week 6
Final Examination	60%	MQ Examination period
Report	15%	Week 10

Quiz

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

Weighting: **10%**

Assessment task: quizzes are individual tasks, which must be attempted and submitted in AFIN858 iLearn by their weekly due dates. You should attempt and submit each of the 10 quizzes. Quizzes are of equal relative weight and each has the same number of questions. Questions are only of 'multiple-choice' type including a mix of 'theory' and 'calculation'. The question mix may vary for some quizzes. The time available is 60 minutes per quiz. Make sure that you read the quiz instructions issued by Week 2 in the AFIN858 iLearn 'Assessments' tab.

Extension: none will be granted.

Supplementary task: none will be offered.

Penalty: if you have not attempted and submitted any one quiz as instructed you will receive a zero ("0") score for that quiz, except for cases in which an application for special consideration is made and granted.

Special consideration: if a special consideration is granted, you will receive an additional opportunity to demonstrate that you have met the learning outcomes for this assessment task. Note that a deadline applies for applications. Make sure to read the MQ [Disruption to Studies Policy](#), [Outcomes](#) and [Supporting Evidence](#).

On successful completion you will be able to:

- Describe the financial decision making environment
- Explain and demonstrate the principle of time value of money (TVM)
- Extend the principle of time value of money (TVM) to valuation of future cash flows
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Class Test

Due: **Week 6**

Weighting: **15%**

Assessment task: the class test is an individual task, which must be attempted and submitted on its due date in the class that you are enrolled. The test is a 'closed book' assessment held under invigilated examination conditions. Time available is 60 minutes including 'reading' time. No 'crib sheet' (or 'formula' sheet) is permitted. Questions are a mix of 'theory' and 'calculation' type and require short to medium length responses. Make sure that you read the class test instructions issued by Week 4 in the AFIN858 iLearn 'Assessments' tab.

Extension: none will be granted.

Supplementary task: none will be offered.

Penalty: if you have not attempted and submitted the class test as instructed you will receive a zero ("0") score, except for cases in which an application for special consideration is made and granted.

Special consideration: if a special consideration is granted, you will receive an additional opportunity to demonstrate that you have met the learning outcomes for this assessment task. Note that a deadline applies for applications. Make sure to read the MQ [Disruption to Studies Policy](#), [Outcomes](#) and [Supporting Evidence](#).

On successful completion you will be able to:

- Describe the financial decision making environment
- Explain and demonstrate the principle of time value of money (TVM)
- Extend the principle of time value of money (TVM) to valuation of future cash flows
- Explain and demonstrate the risk and return trade-off

Final Examination

Due: **MQ Examination period**

Weighting: **60%**

Assessment task: the Final Examination is an individual task, which must be attempted and submitted at a venue timetabled by the University to occur in the mid-year MQ Examination Period. The Final Examination is administered centrally as a 'closed book' assessment under invigilated examination conditions. The time available will be 120 minutes plus 10 minutes 'reading' time. A 'Crib Sheet' (one white A4 size sheet, containing information that you have selected on topics learnt in this unit, either typed or in your ordinary handwriting, optionally on both sides of the sheet, clearly showing your full name as enrolled and student identification number) will be permitted provided that it is handed in with the examination paper. A non-programmable calculator (financial/scientific without text retrieval capability) will be permitted. If 'financial' tables will be required in the examination they will be provided at the venue.

A Final Examination 'Overview' will be held in class in Week 13. All topics, textbook chapters and 'homework' shown in the Unit-Guide Unit Schedule (and subsequently issued in the AFIN858 iLearn) are examinable.

Note that to be eligible for a 'pass' overall in this unit a 'pass' result is required in the Final Examination.

Penalty: if you do not attend the Final Examination as instructed by the University you will receive an overall grade of "FA" (Failed Absent), unless an application for special consideration is made and granted.

Special consideration: if a special consideration is granted, you will receive an additional opportunity to demonstrate that you have met the learning outcomes for this assessment task.

Note that a deadline applies for applications. Make sure to read the current MQ [Final Examination Policy](#) and [Procedure](#), and the MQ [Disruption to Studies Policy, Outcomes](#) and [Supporting Evidence](#).

On successful completion you will be able to:

- Describe the financial decision making environment
- Explain and demonstrate the principle of time value of money (TVM)
- Extend the principle of time value of money (TVM) to valuation of future cash flows
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- Explain and demonstrate principles of investment decision making
- Describe essential issues in long term financing

Report

Due: **Week 10**

Weighting: **15%**

Assessment task: the report is a team (group) research based business style written ('word processed') report including calculations and illustrations (using a 'spreadsheet'), which must be submitted on its due date in the class that the team leader is enrolled. Make sure that you read the report instructions issued by Week 6 in the AFIN858 iLearn 'Assessments' tab.

Extension: none will be granted.

Supplementary task: none will be offered.

Penalty: if the report is not attempted and submitted as instructed each team member will receive a zero ("0") score, except for cases in which an application for special consideration is made and granted.

Special consideration: if a special consideration is granted, you will receive an additional opportunity to demonstrate that you have met the learning outcomes for this assessment task. Note that a deadline applies for applications. Make sure to read the MQ [Disruption to Studies Policy](#), [Outcomes](#) and [Supporting Evidence](#).

On successful completion you will be able to:

- Describe the financial decision making environment
- Explain and demonstrate the principle of time value of money (TVM)
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Delivery and Resources

Delivery

Mode: one class (3 hours) weekly. Attendance and active participation is not compulsory. However, in our experience, attendance and active participation contribute to student's overall results in this unit. Therefore, attendance will be noted by your lecturer. Attend only the class in which you are enrolled. Notify your lecturer via e-mail if unexpectedly you cannot attend your enrolled class in any one week. Note that we do not guarantee that you will find a seat in another class.

Workload: estimated to about 12 hours per week, on the average, for a unit with 4 credit points. This includes weekly class attendance. Note that your actual workload may vary from the estimated workload.

'Unit Schedule': lists weekly assigned readings in the textbook, outlines a calendar of planned topic coverage and lists assigned 'homework' (Concept Questions (CQ's) and end-of-chapter exercises (EOCE's)).

Class activity: most weeks will include a lecture, practical work, and presentations of 'homework'. Lectures will outline main concepts and techniques. Practical work will consist of the application of concepts and techniques. In-class presentations of 'homework' provide opportunities for you to demonstrate your learning and capabilities. In addition, class time will be set aside for discussion of your questions on the weekly 'homework'. Moreover, consultation time with your lecturer will be available either weekly at the end of class (conditional on how class activity unfolds in any one week) or by appointment.

Weekly preparation: includes reading assigned textbook chapters before attending lecture and accessing lecture slides from the AFIN858 iLearn corresponding weekly tab. You must have access to the lecture notes in class. We expect that in addition to class activity you should in your own time engage with the topics and 'homework'. It may not always be possible to cover all activity planned for class, as coverage is conditional on how class activity unfolds in any one week.

'Homework': may not all be covered in-class, as extent of coverage in any one week is conditional on how class activity unfolds. CQ's are set weekly for class discussion. Expect to be presenting and discussing assigned CQ's in the week following the corresponding lecture. The suggested answers to CQ's will only be available weekly in class.

EOCE's will have suggested answers and solutions issued in the AFIN858 iLearn weekly tabs, but not until EOCE's have been discussed in class. Expect to lead weekly class discussions on EOCE's. Discussants will be chosen 'at random' by your lecturer in the week EOCE's are due. Therefore, come well prepared. Active class participation is expected from everyone.

We recommend that you seek a thorough understanding of assigned CQ's and EOCE's, as these cover first principles essential in developing an understanding of more complex concepts and techniques. To this end, time will be set aside weekly in-class for your questions. Obviously, most benefit will be gained if you beforehand have attempted the CQ's and assigned EOCE's, and thus identified problems that you may have encountered. Your questions on EOCE's will be answered and discussed in the week following each topic lecture. Assigned EOCE's will not be collected for marking. It is your responsibility to check work using the EOCE suggested answers and solutions guide that will be issued in the AFIN858 iLearn weekly tabs. Make sure to ask questions if anything regarding 'homework' seems unclear.

What has changed (since the last offering of this unit): assessment tasks are of the same types that were used in Semester 2, 2013.

Participation strategies: consider the results outlined in a 2007 Master of Accounting Program research project investigating student in-class participation. Students surveyed thought that by participating in classroom discussions, answering lecturer's questions and engaging in meaningful and relevant discussion with one's peers, and as prompted by the lecturer:

- assisted in retaining information and maintaining interest and concentration
- allowed clarification or checking understanding
- allowed clarification or checking understanding
- provided opportunities to enhance and reinforce knowledge and learn from one's peers
- improved English proficiency
- supported development of communication skills
- developed skills needed in professional practice.

Lecturers surveyed expected students to participate in class as it:

- provided opportunities to review or clarify topics, and to benefit from the experience of other students
- assisted in thinking about concepts and testing whether understanding is correct
- developed confidence in speaking
- provided opportunities to think in an alternative ways.

The research concluded that the benefits of in-class participation included:

- enhanced learning experience and improved learning outcomes
- met lecturers' expectations
- helped increasing student's communication skills.

Resources

Required textbook: available on a restricted access basis in the 'Closed Reserve' at the MQ Library. However, we strongly recommend that you purchase a copy.

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](#))

Connect: is a publisher provided and supported on-line facility supporting your learning as you work through the topics. It is enclosed (or 'wrapped') with the

required textbook, if you purchase it through the on-campus [Co-Op Bookshop](#). Instructions on accessing *Connect*, and its features, will be presented by the Publisher representative in class in Week 1. This information will be available in AFIN858 iLearn in Week 1. Contact the publisher directly for assistance with your [technical](#) and [content](#) enquiries.

Recommended reference texts: recent editions of

- 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.

Note that you are not required to purchase these texts.

Technologies used and required: a financial or scientific calculator (non-programmable and without text retrieval capability) will be needed to successfully attempt 'homework', in class activity and assessment tasks. In addition, you will be required to prepare a 'word processed' report including 'spreadsheet' based calculations and illustrations. You will also need to use the 'Internet' (www), the MQ Library on-line services including Catalogues, Databases and e-Journals. In addition, you are required to use MQ iLearn.

AFIN858 MQ iLearn: contains essential information and unit material including:

- general announcements
- assessment information, tasks and scores
- supplementary assessable material
- suggested answers and solutions to assigned EOCE's.

Make sure to visit AFIN858 iLearn at least every few days, especially the 'Announcements', so that you have timely access to important information and unit material.

Unit Schedule

Week	Date	Topic#	Textbook Chapter	'Homework' Concept Questions (CQ)*	'Homework' End of Chapter Exercises (EOCE)**

1	Mar 3	Introduction to Corporate Finance	Ch 1 (not '1.7 Two Period Perfect Certainty Model' pp. 21-8) Ch 2	CQ 1.4 CQ 1.5 CQ 2.1 <i>You will be presenting and discussing CQ's in the week following each topic lecture.</i>	1.3 2.2; 2.6; 2.12; 2.17; 2.23 <i>Your questions on EOCES will be answered and discussed in the week following each topic lecture.</i>
2	Mar 10	Financial Statements and Long-term Financial Planning	Ch 3 Ch4	CQ 3.2 EOCE 3.11 CQ 4.3 EOCE 4.13	3.6+; 3.7; 3.9; 3.10; 3.16; 3.23; 3.25 4.11; 4.17-19; 4.28
3	Mar 17	Valuation of Future Cash Flows Part I	Ch 5	CQ5.1 CQ 5.6 CQ 5.7 EOCE 5.23	EOCE will be issued in the AFIN858 iLearn Week 3 tab.
4	Mar 24	Valuation of Future Cash Flows Part II	Ch 6	CQ 6.1 CQ 6.2 EOCE 6.1 & 6.9	EOCE will be issued in the AFIN858 iLearn Week 4 tab.
5	Mar 31	Risk and Return Part I	Ch 10	CQ 10.4 a,b CQ 10.4 c,d CQ 10.6 EOCE 10.18 & 10.19	EOCE will be issued in the AFIN858 iLearn Week 5 tab.
6 [^]	Apr 7	Risk and Return Part II	Ch 11	CQ 11.1 CQ 11.6 CQ 11.10 EOCE 11.2	EOCE will be issued in the AFIN858 iLearn Week 6 tab.

7	Apr 28	Current Investment Decisions	Ch 14 (not '14.4 Short-term Financing' pp. 454-7) Ch 15 (not 'Derivative Debt Products' pp.481-2 & not '15.4 Preference Shares' pp. 493-4) Ch 16 (only '16.1 Public Issue'; '16.5 Rights' & '16.7 Issuing Long-term Debt'.)	CQ 14.2 EOCE 14.1 CQ 15.5 CQ 16.5	EOCE will be issued in the AFIN858 iLearn Week 7 tab.
8	May 5	Capital Budgeting Part I	Ch 7	CQ 7.3, CQ 7.5 CQ 7.7 EOCE 7.8	EOCE will be issued in the AFIN858 iLearn Week 8 tab.
9	May 12	Capital Budgeting Part II	Ch 8 (not Setting the Option Value pp. 246-7)	CQ 8.2 CQ 8.4 CQ 8.5 EOCE 8.7	EOCE will be issued in the AFIN858 iLearn Week 9 tab.
10	May 19	Capital Budgeting Part III	Ch 9	CQ 9.2 CQ 9.4 CQ 9.5 EOCE 9.14	EOCE will be issued in the AFIN858 iLearn Week 10 tab.
11	May 26	Cost of Capital and Long-term Financing Part I	Ch 17	CQ 17.1 CQ 17.2 CQ 17.5 EOCE 17.9	EOCE will be issued in the AFIN858 iLearn Week 11 tab.

12	Jun 2	Cost of Capital and Long-term Financing Part II	Ch 19	CQ 19.1 CQ 19.2 CQ 19.4 CQ 19.8	EOCE will be issued in the AFIN858 iLearn Week 12 tab.
13	Jun 9^^	Cost of Capital and Long-term Financing Part III & Final Examination 'Overview'	Ch 18	CQ 18.3 CQ 18.5 CQ 18.7	EOCE will be issued in the AFIN858 iLearn Week 13 tab.

#All topics are assessable.

*CQ 1.4 refers to the Chapter 1 'Concept Question' 1.4.

**EOCE 1.3 refers to the Chapter 1 'Questions and Problems' exercise 1.3.

+In addition, interpret the results.

^Week 6 is followed by a two week non-teaching period.

^^Week 13 Monday June 9 is a public holiday. Alternative class particulars will be issued in AFIN858 iLearn by Week 12.

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

- Describe the financial decision making environment
- Explain and demonstrate the principle of time value of money (TVM)
- Extend the principle of time value of money (TVM) to valuation of future cash flows
- Explain and demonstrate the risk and return trade-off
- Explain and demonstrate principles of investment decision making
- Describe essential issues in long term financing

Assessment tasks

- Quiz
- Class Test
- Final Examination
- Report

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 the financial decision making environment
- Extend the principle of time value of money (TVM) to valuation of future cash flows
- Explain and demonstrate the risk and return trade-off
- Explain and demonstrate principles of investment decision making
- Describe essential issues in long term financing

Assessment tasks

- Quiz
- Class Test
- Final Examination
- Report

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

- Describe the financial decision making environment
- Extend the principle of time value of money (TVM) to valuation of future cash flows
- Explain and demonstrate the risk and return trade-off
- Describe essential issues in long term financing

Assessment tasks

- Class Test
- Final Examination
- Report

Research and Practice

In this unit you are required to in a team (group) prepare a research based business style written report ('word processed') including calculations and illustrations (using a 'spreadsheet') in outlining an investment recommendation to a company Board of Directors.

You will need to search for information in professional finance journals, business sections in the popular and financial press, MQ Library and external databases, and the Australasian Securities Exchange on-line facility, to mention a few typical sources.

Teams are required to demonstrate their collective learning and capabilities through analysis and synthesis of the collected information in developing their argument to convincingly support the investment recommendation.

Changes since First Published

Date	Description
03/03/2014	x