



AFIN252

Applied Financial Analysis and Management

S3 Day 2014

Applied Finance and Actuarial Studies

Contents

<u>General Information</u>	2
<u>Learning Outcomes</u>	2
<u>General Assessment Information</u>	3
<u>Assessment Tasks</u>	3
<u>Delivery and Resources</u>	6
<u>Unit Schedule</u>	7
<u>Policies and Procedures</u>	9
<u>Graduate Capabilities</u>	12
<u>Changes from Previous Offering</u>	14
<u>Research and Practice</u>	14

Disclaimer

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General Information

Unit convenor and teaching staff

Unit Convenor

Dr Lindsay Stubbs

lindsay.stubbs@mq.edu.au

Contact via lindsay.stubbs@mq.edu.au

Tuesday 9am-10am (in E4B 104) and Thursday 9am-10am (in E4B 104).

Other Staff

Dr Edward Watts

edward.watts@mq.edu.au

Contact via edward.watts@mq.edu.au

Credit points

3

Prerequisites

(ACCG100 or ACCG105 or ACCG106) and (ECON111 or BBA103) and (STAT170 or STAT171 or PSY122) and ACST101 and (24cp or GPA of 2.25)

Corequisites

Co-badged status

Unit description

This unit provides an introduction to the fundamental principles of finance and forms a gateway to more advanced studies in asset pricing, derivative securities, portfolio management and corporate finance. After completing this unit, students have foundation knowledge in investment valuation, risk and return, capital budgeting, corporate financial policy such as financing decisions and dividend policy, derivatives securities, and no-arbitrage valuation. The unit promotes graduate capabilities in critical, analytical and integrative thinking; and problem solving and research within the context of finance. While this unit has similar topic coverage to AFIN253, it provides a more rigorous approach and requires a higher level of quantitative ability.

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:

A broad introduction to applied financial analysis and management.

An understanding of some of the key concepts of modern finance.

An ability to apply finance theory to simple real-life problems.

An ability to use the accounts of listed Australian companies and calculate key market-related figures.

General Assessment Information

To be eligible to pass this unit, a pass is required in the final examination.

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.”

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	0%	Sunday 21st December 2014
Group project	20%	Monday 5th January 2015
Class Test	20%	Thursday 8th January 2015
Final Examination	60%	University Examination Period

Quiz

Due: **Sunday 21st December 2014**

Weighting: **0%**

The Online Quiz serves the purpose of a Diagnostic Test and is designed to give students early feedback.

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.

On successful completion you will be able to:

- A broad introduction to applied financial analysis and management.
- An understanding of some of the key concepts of modern finance.
- An ability to apply finance theory to simple real-life problems.
- An ability to use the accounts of listed Australian companies and calculate key market-related figures.

Group project

Due: **Monday 5th January 2015**

Weighting: **20%**

The Group Project will be a case study on an Australian company listed on the ASX. The company is Capilano Honey Limited. The case study will be briefly discussed in Lecture 1 and will be posted on iLearn. A written report (in *Microsoft Word*) must be submitted by 4:00pm on Monday 5th January 2015.

The group is also required to give an oral presentation (using *Microsoft PowerPoint*) and answer questions on Tuesday 6th January 2015 between 2:00pm and 6:00pm. A time will be allocated to each group to present. There will be two judging panels, consisting of at least two examiners for each panel. A copy of the PowerPoint slides must be submitted to BESS by 4:00pm on Monday 5th January 2015. An electronic copy must also be sent to the Unit Convenor (Dr Lindsay Stubbs) by 4:00pm Monday 5th January 2015. Both the *Microsoft Word* report and the *PowerPoint* report must be submitted to *Turnitin*. The *Turnitin* reports must be attached to the hard copies submitted to BESS.

The written report will be marked out of 10; the oral presentation and response to oral questions will also be marked out of 10. The written (i.e. report in *Microsoft Word*) and the oral section are of equal weight. One mark will be awarded for each group.

There will be four students in each group, unless approved in writing by the Unit Convenor. The marks will be divided equally among members of the group unless otherwise is indicated when the written report (in *Microsoft Word*) is submitted.

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.

On successful completion you will be able to:

- A broad introduction to applied financial analysis and management.
- An understanding of some of the key concepts of modern finance.
- An ability to apply finance theory to simple real-life problems.
- An ability to use the accounts of listed Australian companies and calculate key market-related figures.

Class Test

Due: **Thursday 8th January 2015**

Weighting: **20%**

The Class Test will be based on the Topics 1 to 4 inclusive. There is no written Supplementary Class Test. If you fail to attend the test you will receive a mark of **zero (0)** unless a Request for Special Consideration is lodged in accordance with University policy and that request is granted. If the request is granted the Supplementary Class Test will be a **viva voce** (an oral test), no more than one hour and 30 minutes in length.

The Class Test will be held at the time the lecture is normally held, at 11:00am - 1:00pm on Thursday 8th January 2015.

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.

On successful completion you will be able to:

- A broad introduction to applied financial analysis and management.
- An understanding of some of the key concepts of modern finance.
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Final Examination

Due: **University Examination Period**

Weighting: **60%**

- No dictionaries are permitted.
- A non-programmable calculator (no text retrieval capacity) is permitted.
- Financial calculators may be used.
- This is a closed book examination. No books or notes are allowed.
- A formula sheet will be provided in the Examination Resources Pack.
- A Standard Normal Distribution Table will be provided in the Examination Resources Pack.
- The Final Examination will cover the whole syllabus.

On successful completion you will be able to:

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Delivery and Resources

Classes

- For each topic there will be a two-hour lecture and a one-hour tutorial. You should attend all lectures and tutorials. **Please note that tutorials start on 9th December 2015.** **Questions for Tutorial 1 will be posted on iLearn and sent to you by email.** Tutorials cover material based on the lecture of the previous topic. Extra tutorial questions will be issued for some tutorials, and will be posted on iLearn.
- Solutions to tutorial questions (both from the text book and the Extra Tutorial Problems) will be posted on iLearn.
- The timetable for classes can be found on the University web-site at: <http://www.timetables.mq.edu.au/> .
- Your attendance at lecture and tutorials is very important.

Required and Recommended Texts and/or Materials

The prescribed text is:

Fundamentals of Corporate Finance, 6th edition, by S. Ross, R. Bianchi, M. Christensen, M. Drew, R. Westerfield and B. Jordan.

Publisher: McGraw-Hill Irwin, 2014.

ISBN: 9780071013192 (pbk.)

The text can be purchased from the Macquarie University Co-op Bookshop, and is available in the Macquarie University Library. **Students are not required to buy the electronic resources which accompany the text book.**

Technology Used and Required

During the semester, you may be asked to access web-sites of certain Australian companies and also the web-site for the Australian Securities Exchange at www.asx.com.au .

Calculators: Financial calculators may be used in any examination for this unit. A financial calculator is not essential, as a scientific one should meet all your needs. You will not be asked to calculate Internal Rate of Return (IRR) in an examination. Financial calculators are able to do this. Only non-programmable calculators are allowed in an examination

If you choose to buy a financial calculator and are planning to enrol in the Chartered Financial Analysts (CFA) course after you graduate from Macquarie University, you may wish to purchase a financial calculator that meets CFA examination requirements. For specific requirements, see

the CFA Institute's web-site, www.cfainstitute.org . The two CFA-approved calculators are:

- Texas Instruments BA II Plus (including BA II Plus Professional);
- Hewlett Packard 12C (including Hewlett Packard 12C Platinum).

Another recommended calculator is the Hewlett Packard HP17BII or HP17BII+. This is used in Macquarie University's Master of Applied Finance program.

Unit Web Page

- Course material is available on iLearn.
- The web page for this unit can be found at: <https://ilearn.mq.edu.au/login/MQ/>

Learning and Teaching Activities

Lecture and Tutorials

In the tutorial, the tutor will go through some of the questions set for that topic. They will be based on the lecture material for the preceding topic. It is important that you attempt the tutorial problems before you come to class.

What is expected of students?

To achieve the best possible results in this unit, students should:

- Attend all lectures.
- Attend all tutorials and do assigned problems before the class.
- Read the assigned chapters of the text book.
- Download a copy of each lecture's PowerPoint slides which will be made available before each lecture. Make sure these are brought to lectures.
- Most of the tutorial problems will be drawn from the text book. There will be extra tutorial problems placed on iLearn requiring you to find out certain information about Australian companies and answer questions relating to what you have found.

Changes from previous offerings:

Unit Schedule

	Date	Month	Lecture	Chapter	Topic	Tutorials	Tutorial Questions
Tue	9	Dec	L1	1	Introduction to corporate finance	T1	Questions for Tutorial 1 will be posted on iLearn.
Wed	10	Dec					

Unit guide AFIN252 Applied Financial Analysis and Management

Thu	11	Dec	L2	6	Valuing shares and bonds	T2	Chapter 1 , Questions 7, 9, 12, 15
Fri	12	Dec					
Sat	13	Dec					
Sun	14	Dec					
Mon	15	Dec					
Tue	16	Dec	L3	7	Net present value and other investment criteria	T3	Chapter 6 , Questions 7, 8, 11, 12, 15, 18, 21, 25
Wed	17	Dec					
Thu	18	Dec	L4	10	Lessons from capital market history	T4	Chapter 7 , Questions 1, 3, 11, 13, 15, 16, 23, 24
Fri	19	Dec					
Sat	20	Dec					
Sun	21	Dec					Final day to complete the Online Quiz
Mon	22	Dec					
Tue	23	Dec					
Wed	24	Dec					
Thu	25	Dec					
Fri	26	Dec					
Sat	27	Dec					
Sun	28	Dec					
Mon	29	Dec					
Tue	30	Dec					
Wed	31	Dec					
Thu	1	Jan					
Fri	2	Jan					
Sat	3	Jan					
Sun	4	Jan					
Mon	5	Jan			The Group Project is due at 4:00pm - both the <i>Microsoft Word</i> Report and the <i>PowerPoint</i> report.		

Tue	6	Jan	L5	11	Return, risk and the Security Market Line	T5	Oral presentations for the Group Project, scheduled between 2:00pm and 4:00pm.
Wed	7	Jan					
Thu	8	Jan	L6	8	Making capital investment decisions (Online Delivery, available on <i>iLearn</i>). The Class Test worth 20% of assessment will be held during the lecture time.	T6	Chapter 10 , Questions 1, 2, 4, 8, 9, 22 and Chapter 11 , Questions 1, 2, 5, 7, 10, 12, 16, 21
Fri	9	Jan	L7	12	Current investment decisions	T7	Chapter 8 , Questions 1, 5, 6, 7, 8, 10, 11, 14
Sat	10	Jan					
Sun	11	Jan					
Mon	12	Jan					
Tue	13	Jan	L8	17	Shareholder value and the cost of capital.	T8	Chapter 12 , Questions 1, 3, 4, 5, 16, 18
Wed	14	Jan					
Thu	15	Jan	L9	18	Rewarding shareholders: setting dividend policy	T9	Chapter 17 , Questions 1, 2, 3, 5, 9, 13, 16, 18
Fri	16	Jan	L10	19	Financial leverage and capital structure policy	T10	Chapter 18 , Questions 2, 10, 11, 12, 18,
Sat	17	Jan					
Sun	18	Jan					
Mon	19	Jan					
Tue	20	Jan	L11	20	Derivative Securities - Options	T11	Chapter 19 , Questions 1, 2, 3, 6, 8, 9, 13, 14, 17
Wed	21	Jan					
Thu	22	Jan	L12	20	Derivative Securities - Futures	T12	Chapter 20 , Questions 1, 3, 4, 7
Fri	23	Jan	L13		Revision	T13	Chapter 20 , Questions 25, 29, 30

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/

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

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>

Students must pass the final examination in order to pass the unit.

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.businessandconomics.mq.edu.au/new_and_current_students/undergraduate_current_students/how_do_i/grade_appeals/

Special Consideration Policy

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

Further information regarding supplementary examinations, 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

Discipline Specific Knowledge and Skills

Our graduates will take with them the intellectual development, depth and breadth of knowledge, scholarly understanding, and specific subject content in their chosen fields to make them competent and confident in their subject or profession. They will be able to demonstrate, where relevant, professional technical competence and meet professional standards. They will be able to articulate the structure of knowledge of their discipline, be able to adapt discipline-specific knowledge to novel situations, and be able to contribute from their discipline to inter-disciplinary solutions to problems.

This graduate capability is supported by:

Assessment tasks

- Quiz
- Group project
- Class Test
- Final Examination

Critical, Analytical and Integrative Thinking

We want our graduates to be capable of reasoning, questioning and analysing, and to integrate and synthesise learning and knowledge from a range of sources and environments; to be able to critique constraints, assumptions and limitations; to be able to think independently and systemically in relation to scholarly activity, in the workplace, and in the world. We want them to have a level of scientific and information technology literacy.

This graduate capability is supported by:

Learning outcomes

- A broad introduction to applied financial analysis and management.
- An understanding of some of the key concepts of modern finance.
- An ability to apply finance theory to simple real-life problems.
- An ability to use the accounts of listed Australian companies and calculate key market-

related figures.

Assessment tasks

- Quiz
- Group project
- Class Test
- Final Examination

Problem Solving and Research Capability

Our graduates should be capable of researching; of analysing, and interpreting and assessing data and information in various forms; of drawing connections across fields of knowledge; and they should be able to relate their knowledge to complex situations at work or in the world, in order to diagnose and solve problems. We want them to have the confidence to take the initiative in doing so, within an awareness of their own limitations.

This graduate capability is supported by:

Learning outcomes

- A broad introduction to applied financial analysis and management.
- An understanding of some of the key concepts of modern finance.
- An ability to apply finance theory to simple real-life problems.
- An ability to use the accounts of listed Australian companies and calculate key market-related figures.

Assessment tasks

- Quiz
- Group project
- Class Test
- Final Examination

Creative and Innovative

Our graduates will also be capable of creative thinking and of creating knowledge. They will be imaginative and open to experience and capable of innovation at work and in the community. We want them to be engaged in applying their critical, creative thinking.

This graduate capability is supported by:

Learning outcomes

- A broad introduction to applied financial analysis and management.
- An understanding of some of the key concepts of modern finance.
- An ability to apply finance theory to simple real-life problems.

Assessment task

- Group project

Changes from Previous Offering

The main change is the nature of the Group Project. It is worth 20% and is based on a listed Australian company. In Semester 2 in 2014 the Group Project was split into two parts: Part A was an assignment based on the Australian banking sector and was worth 10%; Part B was a capital budgeting exercise and was also worth 10%. There is an oral presentation component for the Group Project this semester; in Semester 2 in 2014 there was no oral presentation component.

In Semester 2 in 2014 students were allowed to take a Reference Sheet into the Final Examination (an A4 sheet of paper with formulae or written notes). This is no longer allowed for this unit. A formula sheet will be supplied in the Final Examination Resources Pack.

In Semester 2 in 2014 the Online Quiz was worth 5%; in this semester it is worth 0%.

In Semester 2 in 2014 the Class Test was worth 15%; in this semester it is worth 20%.

In Semester 2 in 2014 there was a written Supplementary Class Test; in this semester there is no written Supplementary Class Test. It is replaced by a *Viva Voce*.

Research and Practice

- This unit uses research by Macquarie University researchers (references will be given in the lectures, tutorials and assignment).

- This unit uses research from external sources (references will be given in the lectures, tutorials and assignment).

- This unit gives you practice in applying research findings in your tutorials and presentations.