



AFIN858

Financial Management and Policy

S2 Day 2015

Dept of 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

Unit convenor and teaching staff

Unit Convenor & Lecturer

Toomas Truuvert

toomas.truuvert@mq.edu.au

Lecturer

Katarina Djukic

katarina.djukic@mq.edu.au

Lecturer

Garry Morris

garry.morris@mq.edu.au

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 key contemporary corporate financial management practices, discussing their adoption in Australia.

Explain key corporate finance concepts and valuation techniques including the time value of money, the trade-off between risk and return, and the net present value, demonstrating their use in corporate financial decision making.

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

Analysis of a typical proposal in a workplace context (including preparation of a supporting Excel spreadsheet), collaboratively evaluating proposal implications and writing of a brief research based report to a Company 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 whether you are 'only one mark away' from a higher 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](#).

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 Examination* mark) will not be addressed.

Assessment Tasks

Name	Weighting	Due
Quiz	15%	Weekly Week 3-12
Class Test	15%	Week 8

Name	Weighting	Due
<u>Case Study</u>	20%	Week 12
<u>Final Examination</u>	50%	Examination Period

Quiz

Due: **Weekly Week 3-12**

Weighting: **15%**

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

Ten (10) weekly quizzes cover topics listed in the Unit Schedule. A *Quiz* is a mix of 'theory' and 'calculation' questions, eliciting responses from sets of five (5) pre-determined alternatives i.e. 'multiple-choices', requiring selection of 'ONE (1) BEST' alternative as your preferred answer choice. No 'negative' marking. Eight (8) of your ten (10) scores are randomly selected and counted toward your overall result. Total time available to complete a *Quiz* is sixty (60) minutes.

No extensions will be granted. Students who have not submitted a *Quiz* by its deadline will receive a zero (0) mark for that *Quiz*, except for cases in which the Disruption to Studies Policy applies.

Moreover, make sure to read the *Quiz Information*, to be issued in AFIN858-iLearn in Week 2, as it contains additional essential information about this assessment task.

On successful completion you will be able to:

- Describe key contemporary corporate financial management practices, discussing their adoption in Australia.
- Explain key corporate finance concepts and valuation techniques including the time value of money, the trade-off between risk and return, and the net present value, demonstrating their use in corporate financial decision making.

Class Test

Due: **Week 8**

Weighting: **15%**

Class Test is an individual 'closed-book' assessment task held in Week 8, during in-class time, at your scheduled venue, under invigilated and time-limited conditions, submitted at the venue.

Total time available to complete the *Class Test* is sixty (60) minutes.

No extensions will be granted. Students who have not submitted the *Class Test* by its deadline will receive a zero (0) mark for the *Class Test*, except for cases in which the Disruption to Studies Policy applies.

'Reference' ('Crib' or 'Formula') Sheet: you are permitted ONE (1) A4 sheet of reference material

printed on both sides of the sheet. The material may be handwritten or typed. Questions and the 'reference' sheet will be collected at the end of the *Class Test*. They will not be returned.

Moreover, make sure to read the *Class Test Information*, to be issued in AFIN858-iLearn in Week 6, as it contains additional essential information about this assessment task.

On successful completion you will be able to:

- Describe key contemporary corporate financial management practices, discussing their adoption in Australia.
- Explain key corporate finance concepts and valuation techniques including the time value of money, the trade-off between risk and return, and the net present value, demonstrating their use in corporate financial decision making.
- Discuss corporate investment, funding, and dividend choices, applying these to typical situations in corporate financial management.

Case Study

Due: **Week 12**

Weighting: **20%**

Case Study is a team (group) assessment task, attempted in a project format, during out-of-class time, submitted in AFIN858-iLearn *Turnitin*.

The *Case Study* requires (a) analysis of a typical proposal in a workplace context (including preparation of a supporting *Excel* spreadsheet), (b) collaborative evaluation of the corporate finance implications of the proposal, and (c) writing of a brief research based report ('*Board Paper*') addressed to a Company Board of Directors. *Board Papers Board Papers* and supporting *Excel* spreadsheets are assessed on a group-only basis against criterion and performance standards set out in a marking *Rubric*, provided to groups as a resource appended to the *Case*. A group score, feed-back and feed-forward is provided in AFIN858-iLearn *GradeMark* (assessment software) format. Individual group member scores are recorded in AFIN858-iLearn *GradeBook*.

No extensions will be granted. Teams that have not submitted their *Board Paper* by its deadline Week 12 Monday 26 October 12:00 (12 PM) will receive a zero (0) mark for the *Case Study*, except for cases in which the Disruption to Studies Policy applies.

Moreover, make sure to read the *Case Study Information*, to be issued in AFIN858-iLearn in Week 8, as it contains additional essential information (including configuration of project groups) about this assessment task.

On successful completion you will be able to:

- Explain key corporate finance concepts and valuation techniques including the time value of money, the trade-off between risk and return, and the net present value, demonstrating their use in corporate financial decision making.

- Discuss corporate investment, funding, and dividend choices, applying these to typical situations in corporate financial management.
- Analysis of a typical proposal in a workplace context (including preparation of a supporting Excel spreadsheet), collaboratively evaluating proposal implications and writing of a brief research based report to a Company Board of Directors.

Final Examination

Due: **Examination Period**

Weighting: **50%**

Final Examination is an individual 'closed book' assessment task, attempted at an examination venue centrally timetabled by the University, under invigilated and time-limited conditions, submitted at the examination venue. Total time available to complete the *Final Examination* is three (3) hours plus ten (10) minutes of 'reading' time.

'Reference' ('Crib' or 'Formula') Sheet: you are permitted ONE (1) A4 sheet of reference material printed on both sides of the sheet. The material may be handwritten or typed. The 'reference' sheet will be collected at the end of the *Final Examination*. It will not be returned.

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

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

On successful completion you will be able to:

- Describe key contemporary corporate financial management practices, discussing their adoption in Australia.
- Explain key corporate finance concepts and valuation techniques including the time value of money, the trade-off between risk and return, and the net present value, demonstrating their use in corporate financial decision making.
- Discuss corporate investment, funding, and dividend choices, applying 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 2 topic will be discussed and presented in Week 3). 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, the full set of Q&P's may be 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 (or electronic copy) of the textbook, especially as only a few copies of the textbook will be available but on a restricted access basis at the University 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 unit pages 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	Jul27	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	Aug3	Financial Statements and Long-term Financial Planning	Ch 3 & Ch 4	Refer to AFIN858-iLearn	Refer to AFIN858-iLearn
3	Aug10	Valuation of Future Cash Flows - Time Value of Money	Ch 5	"	"
4	Aug17	Valuation of Future Cash Flows - Valuing Shares & Bonds	Ch 6	"	"
5	Aug24	Capital Budgeting - Net Present Value & Other Investment Criteria	Ch 7	"	"
6	Aug31	Capital Budgeting - Capital Investment & Project Appraisal	Ch 8 (<u>not</u> pp. 246-7) Ch 9 (only 9.1, 9.2, 9.5)	"	"

Week	Date	Topic#	Chapter	Homework-CQ's*	Homework-Q&P's**
7^	Sep7	Risk and Return - Capital Market History	Ch 10	"	"
-	-	2 Week Non-Teaching Period	-	-	-
8	Sep28	<i>Class Test (in your enrolled class only)</i> Risk and Return - Security Market Line	Ch 11	"	"
9^^	Oct5	Current Investment Decisions & Long Term Financing	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)	"	"
10	Oct12	Cost of Capital and Long-term Financing - Shareholder Value	Ch 17	"	"
11	Oct19	Cost of Capital and Long-term Financing - Capital Structure	Ch 19	"	"
12	Oct26	<i>Case Study Due Mon 26 Oct 12:00 (12 PM)</i> <i>AFIN858-iLearn</i> Cost of Capital and Long-term Financing - Dividend Policy	Ch 18	"	"
13	Nov2	Revision	-	-	-

#Refer to the weekly lecture note cover page for detailed topic description. Indicative and subject to change, to be confirmed every two weeks in *AFIN858-iLearn*.

*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 2 CQ's will be discussed in Week 3). Indicative and subject to change, to be confirmed every two weeks in *AFIN858-iLearn*.

**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 2 Q&P's will be discussed in Week 3). Indicative and subject to change, to be confirmed every two weeks in *AFIN858-iLearn*.

^Week 7 is followed by a 2 week non-teaching period. For Macquarie University policy regarding work during the non-teaching period, refer to the heading '*Delivery and Resources*' section

'Workload'.

^^Week 9 Monday (5 October) is a public holiday. Information regarding availability and venue of alternative classes (where applicable) 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/

Results

Results shown in *iLearn*, or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in [eStudent](#). For more information visit ask.mq.edu.au.

Supplementary Exams

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

http://www.businessandeconomics.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 key contemporary corporate financial management practices, discussing their adoption in Australia.
- Explain key corporate finance concepts and valuation techniques including the time value of money, the trade-off between risk and return, and the net present value, demonstrating their use in corporate financial decision making.

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

Assessment tasks

- Quiz
- Class Test
- 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 key contemporary corporate financial management practices, discussing their adoption in Australia.
- Explain key corporate finance concepts and valuation techniques including the time value of money, the trade-off between risk and return, and the net present value, demonstrating their use in corporate financial decision making.
- Discuss corporate investment, funding, and dividend choices, applying these to typical situations in corporate financial management.
- Analysis of a typical proposal in a workplace context (including preparation of a supporting Excel spreadsheet), collaboratively evaluating proposal implications and writing of a brief research based report to a Company 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

- Analysis of a typical proposal in a workplace context (including preparation of a supporting Excel spreadsheet), collaboratively evaluating proposal implications and writing of a brief research based report to a Company Board of Directors.

Assessment task

- Case Study

Changes from Previous Offering

No change in substance from previous offering.

Research and Practice

The *Case Study* requires (a) analysis of a typical proposal in a workplace context (including preparation of a supporting *Excel* spreadsheet), (b) collaborative evaluation of the corporate finance implications of the proposal, and (c) writing of a brief research based report ('*Board Paper*') addressed to a Company Board of Directors. *Board Papers* and supporting *Excel* spreadsheets are assessed on a group-only basis against criterion and performance standards set out in a marking *Rubric*, provided to groups as a resource appended to the *Case*.