



ECFS866

Corporate Finance

AFC Term 1 MB 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

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Credit points

4

Prerequisites

Admission to MAppFin or PGCertAppFin or GradDipAppFin

Corequisites

AFCP801 or (ECFS865 and ECFS867)

Co-badged status

Unit description

Corporate Finance is concerned with understanding the link between shareholder value and corporate investment and financing strategies. Students will explore how corporate finance skills can contribute to developing value creating strategies for an organisation. Building on valuation and financial analysis skills from pre-requisite courses, the unit explores how to value an organisation, and assess key investment decisions including capital investment projects, mergers, acquisitions and international investments. The impact on value of risk, optionality and strategic choices is also explored. Valuation approaches utilised include a range of Discounted Cash Flow models, Residual Income and Multiples valuation. The unit considers how to develop practical, value creating financing strategies, including the optimal mix of debt and equity, capital management and debt management strategies. Financing strategies in the context of M&A and international investments are also considered. The unit addresses how to calculate cost of capital for companies and projects, and how to incorporate financing impacts into a valuation. Practical issues in the implementation of the shareholder value objective, including the impact of governance strategies, alternative ownership structures and performance measures are considered.

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:

Understand the concept of shareholder value and the challenges to its implementation.

Understand and implement a range of valuation methods, including discounted cash flow, residual income, multiples and continuing values.

Assess risks in a project or business and incorporate into a valuation and investment decision.

Apply appropriate alternative valuation models to “real world” situations.

Understand and critically evaluate alternative capital structure and capital management strategies.

Calculate the cost of capital for a project and company.

Acquire familiarity with major types of corporate finance transactions including equity raising, buy-backs, asset backed financings and mergers and acquisitions.

General Assessment Information

To pass this Unit (requires a Standardised Numerical Grade of 50 or better) the Student must pass the combined examinations component of the assessment.

Assessment Tasks

Name	Weighting	Due
Assignment	35%	Refer to iLearn
Mid unit assessments	15%	Refer to iLearn
Final Exam	50%	Refer to Timetable

Assignment

Due: **Refer to iLearn**

Weighting: **35%**

Summary of Assessment Task

Individual / Group: Individual

Due Date: Refer to the Unit's iLearn site

Grading Method: Refer to 'Standards Required to Complete the Unit Satisfactorily' section

Submission Method: Online via Turnitin on iLearn site

Duration: Refer to Assignment Coversheet

Extension Requests:

- If you have extenuating circumstances that prevent you from submitting your assignment by the due date, please make arrangements with your lecturer prior to the due date.
- Unless prior arrangements have been made, any late submission of assignments will automatically be penalised. In the absence of special circumstances, a zero mark will apply.

On successful completion you will be able to:

- Understand and implement a range of valuation methods, including discounted cash flow, residual income, multiples and continuing values.
- Assess risks in a project or business and incorporate into a valuation and investment decision.
- Apply appropriate alternative valuation models to “real world” situations.
- Understand and critically evaluate alternative capital structure and capital management strategies.
- Calculate the cost of capital for a project and company.

- Acquire familiarity with major types of corporate finance transactions including equity raising, buy-backs, asset backed financings and mergers and acquisitions.

Mid unit assessments

Due: **Refer to iLearn**

Weighting: **15%**

Summary of Assessment Task

Individual / Group: Individual

Due Date: Refer to the Unit's iLearn site

Grading Method: Refer to 'Standards Required to Complete the Unit Satisfactorily' section

Submission Method: Online via Turnitin on iLearn site

Duration: Refer to Assignment Coversheet

Extension Requests:

- If you have extenuating circumstances that prevent you from submitting your assignment by the due date, please make arrangements with your lecturer prior to the due date.
- Unless prior arrangements have been made, any late submission of assignments will automatically be penalised. In the absence of special circumstances, a zero mark will apply.

On successful completion you will be able to:

- Understand and implement a range of valuation methods, including discounted cash flow, residual income, multiples and continuing values.
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- Apply appropriate alternative valuation models to “real world” situations.
- Understand and critically evaluate alternative capital structure and capital management strategies.
- Calculate the cost of capital for a project and company.
- Acquire familiarity with major types of corporate finance transactions including equity raising, buy-backs, asset backed financings and mergers and acquisitions.

Final Exam

Due: **Refer to Timetable**

Weighting: **50%**

Summary of Assessment Task

Individual / Group: Individual

Due Date: Refer to Timetable.

Assessments: Different Class Groups have different deadlines. Students should find the timetable and dates relevant to their group at www.mafc.mq.edu.au

Grading Method: Refer to 'Standards Required to Complete the Unit Satisfactorily' section

Submission Method: As per MAFC Program Rules & Procedures at www.mafc.mq.edu.au

Duration: 3 hours plus 10 minutes reading time

Examination Conditions:

- All examinations are closed book. However, permitted materials and aids are:
 - A study sheet, prepared by the Student (single, double-sided A4 page), with formulas and other material.
 - Calculators. Permitted calculators are noted under 'Calculators' below.
- Exam times and locations are noted in the unit timetable at www.mafc.mq.edu.au.
- Refer to MAFC Program Rules & Procedures at www.mafc.mq.edu.au.

Extension Requests:

- You are expected to present yourself for examination at the time and place designated in the relevant MAFC Timetable at www.mafc.mq.edu.au.
- Deferral of an examination is not permitted, unless special consideration has been approved by the Director of Studies under the University's Disruption to Studies Policy.
- Refer to MAFC Program Rules & Procedures at www.mafc.mq.edu.au for information on the University's Disruption to Studies Policy or non-attendance at an examination.

On successful completion you will be able to:

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- Understand and implement a range of valuation methods, including discounted cash flow, residual income, multiples and continuing values.
- Assess risks in a project or business and incorporate into a valuation and investment decision.
- Apply appropriate alternative valuation models to "real world" situations.
- Understand and critically evaluate alternative capital structure and capital management strategies.
- Calculate the cost of capital for a project and company.
- Acquire familiarity with major types of corporate finance transactions including equity raising, buy-backs, asset backed financings and mergers and acquisitions.

Delivery and Resources

CLASSES

Face-to-Face Teaching: Generally 36 hours

Timetable: Detailed timetable for classes are on the Centre's web site www.mafc.mq.edu.au

Class Changes:

Students will only be permitted to change classes if authorised by the Applied Finance Centre.

Request for changes must be made:

- By completion of a Change of Unit Form, available on the Centre's web site at www.mafc.mq.edu.au; or
- In person by going to reception at the relevant Applied Finance Centre location.

Consultation Times:

Students who wish to contact any of the teaching staff may do so through:

- The Unit's iLearn site, in relation to general queries (so that all students may benefit); or
- Individual consultation with the lecturer by email in the first instance, if necessary.

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

Text:

- Ross, Westerfield & Jaffe, Corporate Finance, McGraw-Hill/Irwin, 10th edition 2013 (ISBN 9780078034770) (RWJ)
- There is also an ebook version available should you wish to purchase that.
- In both cases purchase the TEXT ONLY versions. More expensive version include access to Connect and learnSmart however you will be able to access these directly via the course ilearn site

Advanced Material:

- The Unit notes make reference to Advanced sections and reading material. This is for students interested in following up particular aspects in greater detail.
- **Students may assume these Advanced materials are not examinable unless otherwise advised.**

Lecture Notes:

- Available in printed form and electronically via iLearn.
- The lecture notes include a number of references to Wesfarmers. The student is

encouraged to download and become familiar with the latest Wesfarmers Annual Report and visit its website. The Centre's use of Wesfarmers as a case company should not be construed as endorsement or criticism of its activities.

- iLearn will include a section for any identified errors in course notes and text book. Students should check iLearn to ensure they are advised of any changes or edits.

Study Problems:

- Students will have access to learnSmart and Connect, which are online testing capabilities matched to the course textbook.
- Students are required to work systematically through a list of problems at the end of each topic. Some work is online, via RWJ's online learning resources, and the rest of the work is supplementary problems provided at the end of each topic's course notes.
- These problems will not be collected but they will help you prepare for the exams.
- Answers to the supplementary problems will be posted to iLearn.
- Some problems have an Excel symbol next to them in the text indicating there are spreadsheets available for download at the McGraw Hill website for the text at www.mhhe.com/rwj. These spreadsheets contain macros that you may need to adjust your security settings to use them. In any case, they are not very useful.
- You can do all the problems using Excel and in some cases we provide solutions in spreadsheet format. Please note however that you are not able to use Excel under examination conditions; you must solve problems using pen, paper and calculator. So it is advisable to ensure you can apply your analytical skills using a calculator.
- The Unit requires you to develop skills as well as knowledge. The only way to develop those skills is to work through the problems at the end of each topic. You are strongly encouraged to attempt each problem prior to looking at the solution provided.

Pre-Unit Materials:

- Information papers on statistics, regression, accounting and other material may be found at <http://www.mafc.mq.edu.au/applications/minimum-knowledge-requirement/pre-course-materials1/>.
- All Students should work through this material prior to commencing the degree. The material will remain a useful reference as students progress through the program.
- As many students are unfamiliar with accounting, a Topic 0 is included, as an introduction to financial statements. It is necessary that you complete this material. It will be assumed knowledge from Topic 2 (ie second lecture) and it is assessable via an Assignment. You can access an online presentation of this material via iLearn, which you

should undertake prior to commencement of classes. The Assignment task and due date will be specified on iLearn.

Useful References:

- Bodie, Kane and Marcus, *Investments*, McGraw Hill, any edition. (It may be useful to retain your Investments text book.)
- Copeland, Weston & Shastri, *Financial Theory and Corporate Policy*, 4th ed., Pearson Addison Wesley, 2003. (Possibly the best advanced text on Corporate Finance. There are extracts in these Notes.)
- There are books available to help develop your Excel skills, which are needed for assignments. Two helpful books are:
 - Craig W. Holden, *Excel Modelling in Corporate Finance*, 2nd ed., Pearson Prentice Hall, 2005; or
 - Michael Rees, *Financial Modelling in Practice*, Wiley, 2008.

Calculators:

- A financial calculator that can handle time value of money and cash flow calculations, logs and power functions is required.
- The Hewlett Packard calculator hp17bII+ is recommended. The Texas Instruments BAII Plus is another good option.
- In examinations, hand held calculators are permitted. Mobile phones and computers are not permitted.

Assumed Knowledge: Mathematical content

- This Unit relies heavily on present value techniques. Students should be able to use the general formula for calculating the present value of a series of cash flows, as shown below:

$$\text{Present Value} = \sum_{t=0}^n ((\text{Cash Flow}_t) / (1+K_t)^t)$$

as well as alternate expressions for calculating the present value of a series of cash flows using level and growing perpetuities and annuities.

You should review Chapter 4 of the textbook if you are not comfortable with this material.

- Finance has a high level of numerate content. Consequently this Unit is, in parts, mathematical and arithmetical. As an indication of the level of algebra required, Students should find the following problem easy to solve:

$$\text{Solve for } Z_5: \$1,000 =$$

$$\$681.20(1+Z_5/2)^{10}$$

- Students should look at the Web link below to obtain notes on the minimum mathematical and statistical knowledge required to undertake the Master of Applied Finance degree: <http://www.mafc.mq.edu.au/applications/minimum-knowledge-requirement/pre-course-materials1/>

Assumed Access:

- Access to a computer with word processing and spreadsheet capability is assumed, as is general computer literacy.

TECHNOLOGY USED AND REQUIRED

Unit iLearn Site:

- Found by logging on to iLearn ilearn.mq.edu.au, then clicking on **Corporate Finance**.
- This is where you will find links to forums, downloadable resources and other important pages.
- The forum allows you to communicate with other students and lecturer(s) and may provide supplementary material.
- You are requested to post your questions to the forum at least 24 hours prior to the assignment submission date or the examination date. Questions posted after that time may not be answered. **Please try to not leave your questions to the last few days.**
- Students also have access to online teaching support material for the textbook. learnSmart is an online multiple choice test facility, and Connect provides further practice at assigned problems from the text. Students are strongly encouraged to use both of these services – full details about access and use of these will be provided in class.

Important Notice:

- It is important that you familiarize yourself with the Unit's iLearn site.
- Students should check the Unit's iLearn site regularly (minimum twice a week and prior to all lectures) and look for updates and distribution of materials (including case studies) related to the unit or assessments and, if relevant, participate in forum discussions.

Unit Schedule

PRE-AMBLE [UNIT PRE-READING]

Please read the pre-amble material provided prior to the first class. It provides an overview of key concepts you should be familiar with, some institutional background on tax systems and some discussion on the scope of corporate finance.

Topics:

- Scope of Corporate Finance
- Valuation Principles

1. THE CORPORATION'S OBJECTIVE: SHAREHOLDER VALUE MAXIMISATION

Topics:

- The corporate objective of maximizing shareholder value
- Implications of adopting shareholder value maximization objective
- Governance and agency costs
- Alternative forms of ownership and governance

Readings:

- RWJ Chapter 1
- The Economist, May 19-25, 2012, "The Endangered public company" and "The Big Engine that couldn't"
- M Danielson, J. Heck and D. Shaffer, "Shareholder Theory – How Opponents and Proponents Both Get It Wrong" Journal of Applied Finance, Volume 18 No 2 Fall/Winter 2008
- V.V Acharya, C. Kehoe and M. Reyner, "Private Equity vs PLC Boards in the UK: A Comparison of Practices and Effectiveness" Journal of Applied Corporate Finance, Volume 21, No 1, Winter 2009

2. VALUATION REVIEW & EXTENSION

Topics:

- Review of three valuation models: OFCF/WACC, Residual Income/WACC and multiples
- Issues in applying the OFCF/WACC model: parity relationships, Terminal Value
- Relationships between valuation Models
- Consistency Principles

3. VALUATION PRINCIPLES: SPECIAL TOPICS

Topics:

- Risk and Value
- Imputation system and value
- Enterprise Value and Equity Value relationships

4. PROJECT EVALUATION

Topics:

- The NPV rule and shareholder value maximisation
- Incremental cash flows
- Valuing an acquisition
- Risk and Project Evaluation (including offshore projects)
- Other methods of project selection – IRR, payback, average accounting return
- Capital rationing

Readings:

- RWJ Chapters 5, 6.1-6.5, 7.1 and 7.2, 29

5. STRATEGIC FLEXIBILITY AND VALUATION

Topics:

- Modelling strategic flexibility with decision trees
- Option to delay
- Option to abandon
- Option to expand

Readings:

- RWJ Chapter 7.3-4, 22.10, 23
- Powell and Baker, Ch 4 extracts on Decision Trees (pp55-56 and 64-77)

6. COST OF CAPITAL

Topics:

- Weighted Average Cost of Capital
- Project risk, asset betas and equity betas
- Divisional versus Company cost of capital
- Practical issues in estimating cost of capital
- Cost of capital for international projects

Readings:

- RWJ Chapters 13, 18, 31
- Mimi James & Timothy M. Koller, *Valuation in Emerging Markets*

7. ALTERNATIVES TO TEXTBOOK DCF/WACC MODEL

Topics:

- WACC model: assumptions & issues
- Alternative approaches to the WACC: APV / FTE
- Applications of alternative valuation models

- Valuing international projects
- Valuing private equity

Readings:

- RWJ Chapters 13, 18, 31
- Mimi James & Timothy M. Koller *Valuation in Emerging Markets*

8. FINANCIAL STRATEGY AND VALUE

Topics:

- Financial policy “irrelevance”: Modigliani – Miller (M&M), capital structure, dividend policy and arbitrage
- M&M, capital structure, dividend policy and taxes
- Bankruptcy costs and other limits to the use of debt
- Agency cost motivations for debt and dividend policy

Readings:

- RWJ Chapter 16, 17, 22.9, 8.2

9. CAPITAL STRUCTURE & DIVIDEND POLICY IN PRACTICE

Topics:

- Empirical evidence on capital structure & dividend policy
- Financial Flexibility and Financial Policies
- Credit ratings and capital structure
- Life cycle models of financial strategy
- Making financial strategy decisions in practice

Readings:

- Copeland, Weston and Shastri, Ch 15 (pp579-588) & (pp604-614)
- David Denis, Financial Flexibility and Corporate Liquidity, *Journal of Corporate Finance*, 17 (2011), pp 667 – 674
- Darren J. Kisgen, The Influence of Credit ratings on Corporate Capital Structure
- Decisions *Journal of Applied Corporate Finance*, Volume 19 Number 3, Summer 2007

10. EQUITY MANAGEMENT STRATEGIES

Topics:

- Sources of equity finance – private and public markets
- IPO's
- Seasoned equity offerings

- Returning capital to shareholders

Readings:

- RWJ Chapters 19, 20
- Balachandran, Faff and Theobald “Rights Offerings, takeover, renounceability and underwriting status”, *Journal of Financial Economics*, 89 (2008), pp 328 – 346

11. DEBT MANAGEMENT STRATEGIES

Topics:

- Using DCF valuation models to evaluate debt alternatives
- Evaluating alternative debt versus standard debt
- Lease financing and lease evaluation
- Incorporating asset based financings into the overall project valuation
- Developing a debt funding plan for a project

Readings:

- RWJ Chapter 21
- AASB Fact Sheet – Leases [Advanced]

12. UNIT REVIEW

Topics:

- Integrating the topics in Corporate Finance
- Financial Modelling tools for Corporate Finance
- Selected case study

Readings:

- RWJ Chapter 31

Learning and Teaching Activities

Strategy

The Master of Applied Finance degree adopts a deep teaching and learning strategy, in which Students acquire and retain knowledge and also are able to make sense of the issues and concepts and apply them in the “real world”. The degree relies heavily on student engagement and participation by: (a) Continuous learning throughout the semester. This is encouraged through a combination of students undertaking prescribed reading throughout the units and / or completion of practice problems, case studies, assignments, class presentations etc and interaction via forums in the unit’s iLearn site; and (b) Assessments, which enable the student to demonstrate his / her understanding of the learning objectives achieved through the continuous learning.

Student Participation

Students participate in this unit by: (a) Attending lectures and participating in class discussion; (b) Before each class, completing the recommended readings of notes and text, and working systematically through suggested problem sets; (c) Interacting on the unit's iLearn site; and (d) Completing all assessment tasks and exams. On average the unit will require students to complete, for every hour of class time, approximately 3 hours private study.

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.

Students should also consult the MAFC Program Rules & Procedures found at <http://www.mafc.mq.edu.au>

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 enquiry service (MAFC-specific)

For all student enquires, please contact studentsupport@mafc.mq.edu.au

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.

Learning Skills

Learning Skills (http://www.students.mq.edu.au/support/learning_skills/) 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 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 - Capable of Professional and Personal Judgment and Initiative

Our postgraduates will demonstrate a high standard of discernment and common sense in their professional and personal judgment. They will have the ability to make informed choices and decisions that reflect both the nature of their professional work and their personal perspectives.

This graduate capability is supported by:

Learning outcomes

- Understand the concept of shareholder value and the challenges to its implementation.
- Understand and implement a range of valuation methods, including discounted cash flow, residual income, multiples and continuing values.
- Assess risks in a project or business and incorporate into a valuation and investment decision.
- Apply appropriate alternative valuation models to “real world” situations.
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- Calculate the cost of capital for a project and company.
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Assessment tasks

- Assignment
- Mid unit assessments
- Final Exam

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

- Understand the concept of shareholder value and the challenges to its implementation.
- Understand and implement a range of valuation methods, including discounted cash flow, residual income, multiples and continuing values.
- Assess risks in a project or business and incorporate into a valuation and investment decision.
- Apply appropriate alternative valuation models to “real world” situations.
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Assessment tasks

- Assignment
- Mid unit assessments
- Final Exam

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

- Understand the concept of shareholder value and the challenges to its implementation.
- Understand and implement a range of valuation methods, including discounted cash flow, residual income, multiples and continuing values.
- Assess risks in a project or business and incorporate into a valuation and investment decision.
- Apply appropriate alternative valuation models to “real world” situations.
- Understand and critically evaluate alternative capital structure and capital management strategies.
- Calculate the cost of capital for a project and company.
- Acquire familiarity with major types of corporate finance transactions including equity raising, buy-backs, asset backed financings and mergers and acquisitions.

Assessment tasks

- Assignment
- Mid unit assessments
- Final Exam

PG - Research and Problem Solving Capability

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

This graduate capability is supported by:

Learning outcomes

- Understand the concept of shareholder value and the challenges to its implementation.
- Understand and implement a range of valuation methods, including discounted cash flow, residual income, multiples and continuing values.
- Assess risks in a project or business and incorporate into a valuation and investment decision.
- Apply appropriate alternative valuation models to “real world” situations.
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Assessment tasks

- Assignment
- Mid unit assessments
- Final Exam

PG - Effective Communication

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

This graduate capability is supported by:

Learning outcomes

- Understand the concept of shareholder value and the challenges to its implementation.
- Understand and implement a range of valuation methods, including discounted cash flow, residual income, multiples and continuing values.
- Assess risks in a project or business and incorporate into a valuation and investment decision.
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Assessment tasks

- Assignment
- Mid unit assessments
- Final Exam

PG - Engaged and Responsible, Active and Ethical Citizens

Our postgraduates will be ethically aware and capable of confident transformative action in relation to their professional responsibilities and the wider community. They will have a sense of connectedness with others and country and have a sense of mutual obligation. They will be able to appreciate the impact of their professional roles for social justice and inclusion related to national and global issues

This graduate capability is supported by:

Learning outcomes

- Understand the concept of shareholder value and the challenges to its implementation.
- Understand and implement a range of valuation methods, including discounted cash flow, residual income, multiples and continuing values.
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- Apply appropriate alternative valuation models to “real world” situations.
- Understand and critically evaluate alternative capital structure and capital management strategies.
- Calculate the cost of capital for a project and company.
- Acquire familiarity with major types of corporate finance transactions including equity raising, buy-backs, asset backed financings and mergers and acquisitions.

Changes from Previous Offering

The curriculum for this unit has been revised and updated. In previous semesters cash flow and financial statement analysis, and introductory Discounted Cash Flow and multiples valuation were included in the curriculum. These are now covered in prerequisites and prework material which is available on the ilearn site, and will be assumed knowledge for this unit.

The Academic Policies section of this Unit Guide was updated in March 2014.

The Extension Requests section of this Unit Guide was updated in June 2014.

The Unit Schedule and Expected Learning Outcomes sections of this Unit Guide was updated in December 2014.

Important Notice

Pre-reading: **Please read the pre-ambule material provided prior to the first class.** It provides

an overview of key concepts you should be familiar with, some institutional background on tax systems and some discussion on the scope of corporate finance.

This Unit Guide may be subject to change. The latest version is on the Centre's web site www.mafc.mq.edu.au.

Students should read the Unit Guide carefully at the start of semester. It contains important information about the unit. If anything is unclear, please consult one of the unit lecturers.

Standards Required to Complete the Unit Satisfactorily

University Policy on Grading:

- Macquarie University's Academic Senate has established a Grading Policy available at <http://www.mq.edu.au/policy/docs/grading/policy.html>. Your final result will include:
 - A grade ranging from Fail to High Distinction; and
 - A Standardised Numerical Grade (SNG). A SNG is not a summation of the individual assessment components, but is allocated on the basis of the performance in all assessment items, providing the examination component is passed.
- It is important to note:
 - The Policy does not require that a minimum or maximum number of students are to be failed in any unit;
 - Grades will not be allocated to fit a predetermined distribution; and
 - The process of allocating SNGs does not change the rank order of marks among students who pass the unit.

Specific Unit Grading:

- To pass this unit (ie requires a Standardised Numerical Grade of 50 or better), the student must pass the combined examinations component of the assessment.
- All final grades in the Applied Finance Centre are determined by a grading committee and are not the sole responsibility of the unit convenor.
- The core criteria used to assess student work in this unit are:
 - Knowledge and understanding: Understanding key ideas, knowledge and use of concepts.
 - Application: Ability to apply theoretical ideas and frameworks in practice and in a critically reflective way.
 - Reasoning and analysis: Ability to analyse, use critical reasoning and principles

- to formulate a position, balancing theory and personal reflection.
 - Professional literacy and research: Understanding of professional factors (language and landscape) and ability to undertake appropriate research.
 - Communication and presentation: Ability to communicate and present effectively (written and oral, as relevant).
 - Use of mathematical and statistical ideas: Ability to use mathematical and statistical ideas, methods and formulae appropriately.
- Performance in relation to each of these criteria are assessed against the University’s grading descriptors:

Grade	Expectation
High Distinction	Provides consistent evidence of deep and critical understanding in relation to the learning outcomes. There is substantial originality and insight in identifying, generating and communicating competing arguments, perspectives or problem solving approaches; critical evaluation of problems, their solutions and their implications; creativity in application as appropriate to the discipline.
Distinction	Provides evidence of integration and evaluation of critical ideas, principles and theories, distinctive insight and ability in applying relevant skills and concepts in relation to learning outcomes. There is demonstration of frequent originality in defining and analysing issues or problems and providing solutions; and the use of means of communication appropriate to the discipline and the audience.
Credit	Provides evidence of learning that goes beyond replication of content knowledge or skills relevant to the learning outcomes. There is demonstration of substantial understanding of fundamental concepts in the field of study and the ability to apply these concepts in a variety of contexts; convincing argumentation with appropriate coherent justification; communication of ideas fluently and clearly in terms of the conventions of the discipline.
Pass	Provides sufficient evidence of the achievement of learning outcomes. There is demonstration of understanding and application of fundamental concepts of the field of study; routine argumentation with acceptable justification; communication of information and ideas adequately in terms of the conventions of the discipline. The learning attainment is considered satisfactory or adequate or competent or capable in relation to the specified outcomes.
Fail	Does not provide evidence of attainment of learning outcomes. There is missing or partial or superficial or faulty understanding and application of the fundamental concepts in the field of study; missing, undeveloped, inappropriate or confusing argumentation; incomplete, confusing or lacking communication of ideas in ways that give little attention to the conventions of the discipline.

Review of Grade and final examination Script viewing:

- A student who has been awarded a final grade for a unit and who does not believe it is an accurate reflection of their performance, and has grounds for such a claim and can demonstrate those grounds, may apply to have their grade reviewed.
- For information on requesting a review of grade and/or viewing your final exam script, please refer to the University’s Grade Appeal Policy at <http://www.mq.edu.au/policy/docs/gradeappeal/policy.html> and MAFC Program Rules & Procedures at <http://www.mafc.mq.edu.au>.

Changes since First Published

Date	Description
09/01/2015	unit outline updates
12/12/2014	Assessment updated
05/12/2014	Mapping update