



AFIN708

Corporate Finance

S2 Day 2016

Dept of Applied Finance and Actuarial Studies

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General Information

Unit convenor and teaching staff

Unit Convenor

Narelle Gordon

narelle.gordon@mq.edu.au

Contact via narelle.gordon@mq.edu.au

E4A 752

By appointment via email

Credit points

4

Prerequisites

Admission to MRes

Corequisites

Co-badged status

Co-badged with AFIN808.

Unit description

The objective of this unit is to explore the theory and application of corporate finance issues at an advanced level, and to equip students with the required depth of knowledge and skill expected of a professional.

Following a brief revision of basic financial concepts covered in earlier finance courses, the unit investigates the more complicated theoretical issues and analytical techniques in corporate finance. In particular, a critical approach is adopted which involves identifying the assumptions and limitations of these techniques when applied to the real world. Students are encouraged to understand that often the best method is a matter of debate, and that they must choose a method from a group of methods all of which have various limitations. This critical approach is reinforced by examining a number of real life corporate finance projects.

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:

To apply investment and financing concepts to take decisions in business

To evaluate cost of capital, project risks and the financial viability of projects

- To evaluate the effect of capital structure on value of firms and projects
- To develop research skills in current topics in corporate finance
- To apply options methodology to value business opportunities and firms.

General Assessment Information

Grading Policy: assessment in this unit is informed by the MQ Grading Policy.

Feedback Prior Census Date: A self-assessment online quiz will be released in Week 3 for feedback prior to the census date. The quiz is not part of the course marks but results provide an indication of whether you are progressing satisfactorily in the unit. If you are having difficulties, please see the Unit Convenor and consider withdrawing before the census date.

Assessment Criteria: Assessment criteria for all assessment tasks will be provided on the unit iLearn site.

Rubric: the *Essay* will be assessed against criterion and performance standards set out in a marking *Rubric*, which will be provided to students on the iLearn..

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 release of final results regarding assessment marks (not including the final exam) will not be addressed.

Assessment Tasks

Name	Weighting	Due
<u>Essay</u>	15%	17 October 2016 5pm
<u>Assessed Coursework</u>	5%	Random weeks
<u>Class Test</u>	20%	Week 7
<u>Final Exam</u>	60%	See Exam Timetable

Essay

Due: **17 October 2016 5pm**

Weighting: **15%**

This is an individual assignment. Students will be asked to select one topic for research from a set of prescribed topics. Based on detailed literature review, the students will prepare an essay. The word limit is 2500 words excluding table of contents and bibliography. The essay will be submitted through Turnitin before the due date. It will be graded based on logical development of content and arguments, effective use of research evidence, clear conclusions, clarity in writing and appropriate citations and references.

Students who have not submitted the task prior to the deadline will incur a deduction of 10% for every 24-hour period late, except for cases in which an application for special consideration is made and approved. For example, for a submission that is 1 hour late, 1.5 marks will be deducted.

On successful completion you will be able to:

- To develop research skills in current topics in corporate finance

Assessed Coursework

Due: **Random weeks**

Weighting: **5%**

Each collection is worth a maximum of 2.5%. There will be two random collections during the semester. To get full marks students need to add some insight to the standard solution. Students who copy the text-book solution word for word will receive 0 marks.

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:

- To apply investment and financing concepts to take decisions in business
- To evaluate cost of capital, project risks and the financial viability of projects
- To evaluate the effect of capital structure on value of firms and projects
- To apply options methodology to value business opportunities and firms.

Class Test

Due: **Week 7**

Weighting: **20%**

The 60-minute "closed book" in-class test will be conducted in the week 7 class. Please present yourself at the enrolled time and place of your lecture. The test will contain both theoretical and calculation questions in the multiple choice format and it will help you to monitor your progress in accomplishing learning outcomes 1, 2 and 3. If you are unable to attend the test and your special consideration request is approved, a supplementary assessment task will be offered. The supplementary task may involve a verbal or written component, or both.

On successful completion you will be able to:

- To apply investment and financing concepts to take decisions in business
- To evaluate cost of capital, project risks and the financial viability of projects
- To evaluate the effect of capital structure on value of firms and projects

Final Exam

Due: **See Exam Timetable**

Weighting: **60%**

The content of the "closed book" final exam will give greater weight to topics covered later in the course (that is, topics not covered by the class test). Total time available will be 120 minutes plus 10 minutes of 'reading' time.

In addition, make sure to read the current Final Examination Policy and Final Examination Procedure.

On successful completion you will be able to:

- To apply investment and financing concepts to take decisions in business
- To evaluate cost of capital, project risks and the financial viability of projects
- To evaluate the effect of capital structure on value of firms and projects
- To develop research skills in current topics in corporate finance
- To apply options methodology to value business opportunities and firms.

Delivery and Resources

CLASSES

The Unit involves 3 hours face-to-face teaching per week consisting of a 3 hour seminar. The timetable for classes can be found on the University website at:

<http://www.timetables.mq.edu.au/>

Attendance at seminars is a compulsory component of the Unit, and students are expected to attend all classes. If a student misses more than 2 classes then they could be given a written warning that non-attendance can lead to a Fail grade. Further absence at classes can trigger a recommendation of a Fail grade in the Unit.

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

Prescribed

Ross, Westerfield and Jaffe. Corporate Finance, 11th Edition, McGraw Hill Irwin.
ISBN:9780077861759

The prescribed text can be purchased from the Macquarie University Co-op Bookshop.

AFIN808-iLearn:

The unit Website is only available to students enrolled in AFIN808 and AFIN708. Students will be able to access the unit web page by the use of their normal university user/password details. Please contact the IT Help Desk if you have any difficulties accessing the unit web page:

Phone:(02)9850HELP(4357) Option1 or Freecall:1800063191

FacetoFace: ITHelpDesk, C5C244

24/7Email:help@mq.edu.au

The Website will contain important unit materials, including:

- Course details — An outline of the unit, including assessment tasks
- Announcements—notices updating students on important matters regarding the unit.
- Assignment
- Suggested answers and solutions to homework questions
- Results — for assignment and other assessable material.

LEARNING AND TEACHING ACTIVITIES

This is meant to be a 2nd unit in corporate finance. Most students will have completed an introductory financial management / corporate finance unit. As a more advanced unit, some of the topics covered will be familiar to students but we will be covering them at a more in - depth level. Some other topics will be completely new. As in the introductory unit, students need to work through the quantitative and other problems which are selected each week from the text. However, an important objective of this unit is to make the student aware of the limitations of financial theory and of the assumptions made in making finance and investment decisions.

TECHNOLOGY USED AND REQUIRED

The Text book provides access to various on-line resources. Further, a number of the class exercises are designed to be completed using excel. Students are encouraged to use excel when attempting these exercises.

CHANGES TO THE UNIT SINCE LAST SEMESTER

There are no major changes to the topics or text. Assessment task weightings are changed to allocate 5% rather than 10% to random tutorial homework. An added 5% is now allocated to the Final Exam (total now 60% of course marks). The separate requirement to pass the Final Exam no longer applies.

Unit Schedule

Week	Topics	Ross et al. Chapters
1	TOPIC 1- Overview of corporate finance and valuation	1, 4, 5
2	TOPIC 2- Project evaluation and project risk analysis	6, 7 (not sec. 7.3)
3	TOPIC 3- Alternative theories on risk and return	11,12
4	TOPIC 4- Capital structure and limits to use of debt	16, 17
5	TOPIC 5 - Valuation and capital budgeting for levered firm	18
6	TOPIC 6 - Raising capital and dividend policy	19, 20
7	IN-CLASS TEST (week 7) TOPIC 7 - Private equity and corporate restructuring.	29.13; BMA* 32
	MID-SEMESTER BREAK (19 Sept to 3 Oct)	
8	TOPIC 8 - Convertible bonds, warrants and lease finance	21, 24
9	TOPIC 9 - Corporate finance applications of options - I	22
10	TOPIC 10 - Corporate finance applications of options - II	23 and JP Ch. 22**
11	TOPIC 11 - Mergers, acquisitions and divestitures	29
12	TOPIC 12 - Project & Infrastructure Financing	Reading on the iLearn
13	\\Revision	

* BMA Ch. 32 - Brealey, Myers and Allen (2014), Principles of Corporate Finance, 11e, McGraw-Hill Irwin.

**JP Ch. 22 – Jonathan Berk, Peter DeMarzo (2013), Corporate finance, 3e, Pearson Global Edition.

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

New Assessment Policy in effect from Session 2 2016 http://mq.edu.au/policy/docs/assessment/policy_2016.html. For more information visit http://students.mq.edu.au/events/2016/07/19/new_assessment_policy_in_place_from_session_2/

Assessment Policy prior to Session 2 2016 <http://mq.edu.au/policy/docs/assessment/policy.html>

Grading Policy prior to Session 2 2016 <http://mq.edu.au/policy/docs/grading/policy.html>

Grade Appeal Policy <http://mq.edu.au/policy/docs/gradeappeal/policy.html>

Complaint Management Procedure for Students and Members of the Public http://www.mq.edu.au/policy/docs/complaint_management/procedure.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

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://www.mq.edu.au/about_us/offices_and_units/information_technology/help/.

When using the University's IT, you must adhere to the [Acceptable Use of IT Resources 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

- To apply investment and financing concepts to take decisions in business
- To evaluate cost of capital, project risks and the financial viability of projects
- To evaluate the effect of capital structure on value of firms and projects
- To develop research skills in current topics in corporate finance
- To apply options methodology to value business opportunities and firms.

Assessment tasks

- Essay
- Assessed Coursework
- Class Test
- 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

- To apply investment and financing concepts to take decisions in business
- To evaluate cost of capital, project risks and the financial viability of projects
- To evaluate the effect of capital structure on value of firms and projects
- To develop research skills in current topics in corporate finance
- To apply options methodology to value business opportunities and firms.

Assessment tasks

- Essay
- Assessed Coursework
- Class Test
- 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 outcome

- To develop research skills in current topics in corporate finance

Assessment task

- Essay

Research and Practice

Research and Practice

- This unit uses research from external sources (references)
- This unit gives you practice in applying research findings in your assessments.
- This unit gives you an opportunity to learn software used in industry.

There is a close relationship between theory and practice in corporate finance. Every day the media is filled with events relevant to corporate finance. Students should constantly be looking for examples of the theory from a topic, as reflected in a media story.