



# AFIN100

## Introduction to Finance

S2 Day 2014

*Applied Finance and Actuarial Studies*

### Contents

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<a href="#">General Information</a>	2
<a href="#">Learning Outcomes</a>	2
<a href="#">General Assessment Information</a>	3
<a href="#">Assessment Tasks</a>	3
<a href="#">Delivery and Resources</a>	5
<a href="#">Unit Schedule</a>	5
<a href="#">Learning and Teaching Activities</a>	6
<a href="#">Policies and Procedures</a>	6
<a href="#">Graduate Capabilities</a>	7
<a href="#">Changes from Previous Offering</a>	10
<a href="#">Research and Practice</a>	10

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#### Disclaimer

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## General Information

Unit convenor and teaching staff

Unit Convenor

Lurion De Mello

[lurion.demello@mq.edu.au](mailto:lurion.demello@mq.edu.au)

Contact via [lurion.demello@mq.edu.au](mailto:lurion.demello@mq.edu.au)

E4A 515

Mon 4.30-5.30pm

Credit points

3

Prerequisites

Corequisites

Co-badged status

Unit description

This unit provides an introduction of the threshold concepts in finance and capital markets. It is designed to equip students to undertake further studies in finance. After completing this unit, students have foundation knowledge in valuation of shares and bonds; capital budgeting; risk and return; capital asset pricing model; cost of capital; equities and capital markets; and dividend and capital structure policy.

## 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 role of stock markets and how to value shares using common multiples.

An ability to find financial information from company annual reports and from sources such as the ASX and the library

Understand the fundamentals of corporate finance with reference to capital budgeting, firms cost of capital, payout policy and mergers and acquisition.

Construct payoff diagrams with various option strategies and apply these to basic hedging techniques.

## General Assessment Information

No extensions will be granted to your assessments. Late tasks will be accepted up to 72\* hours after the submission deadline. There will be a deduction of 20%\* of the total available marks made from the total awarded mark for each 24 hour period or part thereof that the submission is late (for example, 25 hours late in submission – 40% penalty). This penalty does not apply for cases in which an application for special consideration is made and approved.

## Assessment Tasks

Name	Weighting	Due
<a href="#">Quiz</a>	5%	Week 4
<a href="#">Assignment</a>	20%	Week 9
<a href="#">Class Test</a>	25%	18/09/2014
<a href="#">Final Exam</a>	50%	See Exam Timetable

### Quiz

Due: **Week 4**

Weighting: **5%**

This test will cover material from the first three weeks. There will be 10 multiple choice questions and you will have 15 mins to complete the test. The test period will be over a 24 hr window. There will no make up tests if you miss this 24 hr period. More information will be provided via an iLearn announcement.

On successful completion you will be able to:

- Understand the role of stock markets and how to value shares using common multiples.

### Assignment

Due: **Week 9**

Weighting: **20%**

The assignment topic will be announced during the course of the semester. You will have 3 weeks to complete it. The assignment should be typed in font size 12 (Time New Roman) and be of single spacing. The maximum pages for the assignment should be 5 (including maximum 1 page of references).

Your assignment will be submitted via the turnitin link provided on the course page. **NO HARD COPIES WILL BE REQUIRED.**

On successful completion you will be able to:

- Understand the role of stock markets and how to value shares using common multiples.
- An ability to find financial information from company annual reports and from sources such as the ASX and the library
- Understand the fundamentals of corporate finance with reference to capital budgeting, firms cost of capital, payout policy and mergers and acquisition.
- Construct payoff diagrams with various option strategies and apply these to basic hedging techniques.

## Class Test

Due: **18/09/2014**

Weighting: **25%**

This will be held during the lecture time and will commence at 9.15am. The test will be of 60 mins duration and will comprise of multiple choice and written answer questions.

On successful completion you will be able to:

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- An ability to find financial information from company annual reports and from sources such as the ASX and the library
- Understand the fundamentals of corporate finance with reference to capital budgeting, firms cost of capital, payout policy and mergers and acquisition.
- Construct payoff diagrams with various option strategies and apply these to basic hedging techniques.

## Final Exam

Due: **See Exam Timetable**

Weighting: **50%**

The exam will be based on the entire course. You will not be able to bring an A4 sheet of paper. Only complex formula's will be provided as you will be expected to remember the more fundamental ones. The exam will only contain written answers (short and long problem type questions). You will have to answer the questions in the space provided on the examination paper.

On successful completion you will be able to:

- Understand the role of stock markets and how to value shares using common multiples.
- An ability to find financial information from company annual reports and from sources such as the ASX and the library

- Understand the fundamentals of corporate finance with reference to capital budgeting, firms cost of capital, payout policy and mergers and acquisition.
- Construct payoff diagrams with various option strategies and apply these to basic hedging techniques.

## Delivery and Resources

The Prescribed Textbook for AFIN100 is:

Fundamentals of Corporate Finance (2nd Edition) by Berk, Demarzo, Harford, Ford, Mollica and Finch. It is published by Pearson.

Please note that you will also be required to have MyFinanceLab. The Coop book shop on campus has the value pack. Should you wish to purchase the eBook version (can be installed on two devices include mobile ones) you can do so by visiting the Pearson website.

## Unit Schedule

Date	Topic & Reading
7th Aug 2014	Discussion of Course Outline, Expectations & Corporate Finance and the Financial Manager (Chapter 1)
14th Aug 2014	Introduction to Financial Statement Analysis (Chapter 2)
21st Aug 2014	Share Valuation: The Dividend-Discount Model (Chapter 7)
28th Aug 2014	Investment Decision Rules (Chapter 8)
4th Sept 2014	Fundamentals of Capital Budgeting (Chapter 9)
11th Sept 2014	Risk and Return in Capital Markets (Chapter 11)
18th Sept 2014	Mid-Semester Test (During Lecture Time)
9th Oct 2014	The Cost of Capital (Chapter 13)
16th Oct 2014	Payout Policy (Chapter 17)
23rd Oct 2014	Financial Modelling and Pro-forma Analysis (Chapter 18)
30th Oct 2014	Mergers and Acquisitions (Chapter 21)
6th Nov 2014	Option Strategies and Pay-offs (Notes Provided)
13th Nov 2014	Revision & Examination Preparation

Tutorial Questions will be assigned on a weekly bases and posted in the weekly topic breakdown

section of the iLearn course page.

## Learning and Teaching Activities

### Lectures and Tutorials

The unit is delivered through weekly lectures and tutorial classes. Tutorial questions will mostly be sourced from the required textbook. The question numbers that will be discussed in tutorials will be posted on iLearn. Students should attempt these questions before tutorials. Brief answers to the tutorial questions will be posted on iLearn after each week.

### Expectation from 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.

## 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](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](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](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/](https://students.mq.edu.au/support/student_conduct/)

[Supplementary Exams](#)

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

[http://www.businessandconomics.mq.edu.au/current\\_students/undergraduate/how\\_do\\_i/special\\_consideration](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](http://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](http://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:

## Learning outcomes

- Understand the role of stock markets and how to value shares using common multiples.
- An ability to find financial information from company annual reports and from sources such as the ASX and the library
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- Construct payoff diagrams with various option strategies and apply these to basic hedging techniques.

## Assessment tasks

- Quiz
- Assignment
- Class Test
- Final Exam

## Learning and teaching activities

- The unit is delivered through weekly lectures and tutorial classes. Tutorial questions will mostly be sourced from the required textbook. The question numbers that will be discussed in tutorials will be posted on iLearn. Students should attempt these questions before tutorials. Brief answers to the tutorial questions will be posted on iLearn after each week.
- 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.

## 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

- Understand the role of stock markets and how to value shares using common multiples.
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## 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:

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- Understand the role of stock markets and how to value shares using common multiples.
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## Changes from Previous Offering

This is a new unit starting in semester 2, 2014. It is highly desirable that students would have completed or are simultaneously attempting ACST101

## Research and Practice

This unit introduces students to how companies raise financial capital, how investors value them and why companies retain or distribute their profits to their shareholders . Students have the opportunity to analyse the various financial reporting tools used by companies in their annual

and quarterly reports. Students also have the opportunity to research ASX listed companies and find information on the domestic and international stock markets to gain a better understanding of conducting research on public listed companies and how economic factors influence stock market performance in Australia. Students should be able to identify other sources of information from publicly available resources and identify various library sources that provide financial and economic information. From their research, students should have a good understanding of the type of industries deemed important to the Australian economy and be able to demonstrate the types of mergers and acquisitions that have taken place recently.