AFIN353

Advanced Corporate Finance

S2 Day 2017

Dept of Applied Finance and Actuarial Studies

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Disclaimer

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General Information

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Refer to iLearn

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Angela Chow
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Credit points
3

Prerequisites
6cp at 200 level including (AFIN250 or AFIN252 or AFIN253)

Corequisites

Co-badged status

Unit description
This unit challenges the student to consider a comprehensive set of factors that influence organisations in their payout, investment and finance decisions within a dynamic framework. The decision might reflect the personality of a CEO, the composition of competitors or expectations about fluctuations in the economy. In this sense, students need to be able to appreciate the differences between theory and practice. Further, students are encouraged to read academic and professional finance journals and the business sections in the daily press. By the end of the unit students should understand: the theoretical and practical implications of the multifaceted nature of risk; the different issues (including flexibility) to be considered, and the different approaches (including real options) available, in valuing risky projects; issues in determining capital structure; the theory and methods used in assessing the costs and benefits of mergers and acquisitions; and the link between corporate governance and finance.

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:

Proficiency at asset valuation using discounted cash flow and multiple techniques, making appropriate use of market data and accounting reports.

Choose between alternative quantitative approaches available in corporate finance. Describe benefits and limitations of each.

Demonstrate adjusting for risk in making corporate finance and investment decisions, including benefits of the real option approach.

Demonstrate teamwork in solving corporate finance problems

Investigate the behavior of stakeholders in the corporate following finance and investment decisions, linking this behavior to wealth transfer between stakeholders.

General Assessment Information

It is the responsibility of students to view their marks for each within session assessment on iLearn within 20 working days of posting. If there are any discrepancies, students must contact the unit convenor immediately. Failure to do so will mean that queries received after the release of final results regarding assessment marks (not including the final exam mark) will not be addressed.

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

Supplementary exams

Information regarding supplementary exams, including dates, is available at:

http://www.businessandeconomics.mq.edu.au/current_students/undergraduate/how_do_i/disruption_to_studies

Assessment Tasks

Name	Weighting	Hurdle	Due
Diagnostic quiz	5%	No	18 August 2017
Class test	20%	No	Week 6 (Friday 8 Sep 2017)
Case Study	25%	No	Week 10
Final Examination	50%	No	University Examination Period

Diagnostic quiz

Due: **18 August 2017**
Weighting: **5%**

The Diagnostic Quiz will cover the materials introduced in week 1 and 2. This assessment aims to provide early feedback on students' knowledge and skills base of the subject area.

On successful completion you will be able to:

- Proficiency at asset valuation using discounted cash flow and multiple techniques, making appropriate use of market data and accounting reports.
- Choose between alternative quantitative approaches available in corporate finance. Describe benefits and limitations of each.
- Demonstrate adjusting for risk in making corporate finance and investment decisions, including benefits of the real option approach.

Class test

Due: **Week 6 (Friday 8 Sep 2017)**
Weighting: **20%**

Class Test will be held in the lecture in week 6. The length of the test is 1 hour. This test will be worth 20%.

Class Test will be based on multiple choice questions and will cover the materials introduced in lectures 1 to 5. Further instructions will be provided on iLearn in week 4.

Students must attend at the lecture time for which they are enrolled.

No extension will be granted. Students who do not sit the test will be awarded a mark of 0, except for cases in which an application for Disruption to Studies is made and approved.A supplementary assessment task will be organised if your Disruption to Studies request is approved.

On successful completion you will be able to:

- Proficiency at asset valuation using discounted cash flow and multiple techniques, making appropriate use of market data and accounting reports.
- Choose between alternative quantitative approaches available in corporate finance. Describe benefits and limitations of each.
- Demonstrate adjusting for risk in making corporate finance and investment decisions, including benefits of the real option approach.

Case Study

Due: **Week 10**
Weighting: **25%**

The Case Study will be carried out in groups of 2 to 4 students. Group members must be all enrolled in the same tutorial and group formation will be organised in the tutorials during week 5. Assignment tasks and instructions will become available in the same week. Group formation

must be completed by the end of week 6. Any student doesn't report group information will be assumed to undertake the assignment individually. The group report must be submitted to Turnitin by the due date.

Case Study marks will be allocated based on both group performance (50%) and individual performance (50%). The group performance will be assessed based on the group report submitted in Week 10 (20 Oct 2017).The individual performance will be assessed by a short answer question that is related to the Case Study in the final examination.

No extensions will be granted. There will be a deduction of 10% 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 – 20% penalty). This penalty does not apply for cases in which an application for disruption of studies is made and approved. No submission will be accepted after solutions have been posted.

On successful completion you will be able to:

- Proficiency at asset valuation using discounted cash flow and multiple techniques, making appropriate use of market data and accounting reports.
- Choose between alternative quantitative approaches available in corporate finance. Describe benefits and limitations of each.
- Demonstrate adjusting for risk in making corporate finance and investment decisions, including benefits of the real option approach.
- Demonstrate teamwork in solving corporate finance problems
- Investigate the behavior of stakeholders in the corporate following finance and investment decisions, linking this behavior to wealth transfer between stakeholders.

Final Examination

Due: **University Examination Period**
Weighting: **50%**

The length of the final exam will be 3 hours. The final examination instructions will become available in week 11 on iLearn.

You are permitted ONE A4 page of paper containing reference material printed on both sides. The material may be handwritten or typed. The page will not be returned to you at the end of the final examination.

On successful completion you will be able to:

- Proficiency at asset valuation using discounted cash flow and multiple techniques, making appropriate use of market data and accounting reports.
- Choose between alternative quantitative approaches available in corporate finance. Describe benefits and limitations of each.

- Demonstrate adjusting for risk in making corporate finance and investment decisions, including benefits of the real option approach.
- Investigate the behavior of stakeholders in the corporate following finance and investment decisions, linking this behavior to wealth transfer between stakeholders.

Delivery and Resources

Prescribed Text

Berk J. and P. DeMarzo. 2016. Corporate Finance. Global Edition, 4/E, Harlow, UK: Pearson Education Ltd. ISBN 9781292160160

Available for purchase from the Macquarie University Co-op Bookshop.

Communication Channels

For discussion of subject materials please speak to any of our lecturers and tutors during class, or in consultation or by email. Please keep in mind that most concepts are best explained in person rather than by email where it is difficult to write equations and give examples.

For **administrative matters** please contact the unit convenor Wei Cui during his consultation time (listed on ilearn) or by email (wei.cui@mq.edu.au).

Academic Consultation

Staff are available for AFIN353 academic consultation throughout the semester. A schedule of consultation times and locations will be available on iLearn from Week 2.

Lectures and Tutorial Classes

The Unit involves three hours of face-to-face teaching per week, consisting of one lecture and one tutorial.

Keep in mind that this is a very difficult but interesting course which you will find rewarding in your corporate and everyday lives. By the end of this course you will be able to confidently value most assets including businesses, stocks, bonds, real estate and options.

Lectures commence in Week 1. Tutorial classes commence in Week 2.

The timetable for lectures and tutorial classes is available at URL https://timetables.mq.edu.au/2016/

Audio and Video Recordings

The weekly lecture will be audio and video recorded, though students should not rely on this due to the high probability of equipment malfunction and user error.

Lecture Slides

Available weekly before lecture through iLearn.

Technology Used and Required

The unit will use an on line learning and teaching facility known as iLearn, accessed through the

following URL https://ilearn.mq.edu.au/login/MQ.

Students should monitor iLearn content frequently to ensure timely access to announcements, unit material and assessment information.

To complete the Case Study, students will be required to use Microsoft Excel and Microsoft Word.

Calculators will be allowed in the class tests and the final examination but a clear indication of the steps involved in every calculation must be shown. Non-programmable calculators with no text-retrieval capacity are allowed. Financial calculators are allowed. Calculators that have a full alphabet on the keyboard are not allowed. Graphics calculators are not allowed.

Learning Strategies

Tutorial work will be sourced from different resources, including the prescribed textbook. Tutorial work should be attempted before attending tutorials. Brief solutions will be available weekly through iLearn, usually by the end of the week.

Moreover, we recommend:

1) Sufficient preparation time - for lectures, tutorials and assessment tasks;

2) Attending all lectures and tutorial classes, as per class lists - while attendance is not compulsory tutors keep a record of weekly attendance, which can be consulted for cases in which an application for disruption to studies is made;

3) Attempting tutorial work weekly, before attending class - tutors will not always be able to cover all assigned tutorial work so they will be glad to explain the harder questions if you politely ask;

4) Bringing the lecture notes to lectures and the assigned homework to tutorials.

Unit Schedule

Week		Lecture Topics	Activities
1		Topic 1 - DCF and Multiple valuation	No tutorials
2		Topic 2 - Cash flows and valuation	Tutorials start
3		Topic 3 - Estimating the cost of capital & market efficiency	Diagnostic online quiz due
4		Topic 4 - Debt and taxes (The capital structure decisions)	
5		Topic 5 - Capital budgeting and valuation with leverage	Assignment group formation in tutorials
6		**Calss Test**	**Class Test in lecture**, no tutorial in this week
7		Topic 6 - Raising equity capital	tutorials resume
8		Topic 7 - M & A	
9		Topic 8 - Debt Financing	
10		Topic 9 - Financial options	**Group Assignment due**

11		Topic 10 - Real Options	
12		Topic 11 - Corporate governance	
13		Revision	

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_2016.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 (in effect until Dec 4th, 2017): http://www.mq.edu.au/policy/docs/disruption_studies/policy.html

Special Consideration Policy (in effect from Dec 4th, 2017): https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policies/special-consideration

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.

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

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

- Proficiency at asset valuation using discounted cash flow and multiple techniques, making appropriate use of market data and accounting reports.
- Choose between alternative quantitative approaches available in corporate finance. Describe benefits and limitations of each.
- Demonstrate adjusting for risk in making corporate finance and investment decisions, including benefits of the real option approach.

Assessment tasks

- Diagnostic quiz
- Class test
- Final Examination

Critical, Analytical and Integrative Thinking

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

This graduate capability is supported by:

Learning outcomes

- Proficiency at asset valuation using discounted cash flow and multiple techniques, making appropriate use of market data and accounting reports.
- Demonstrate adjusting for risk in making corporate finance and investment decisions, including benefits of the real option approach.
- Investigate the behavior of stakeholders in the corporate following finance and investment decisions, linking this behavior to wealth transfer between stakeholders.

Assessment tasks

- Diagnostic quiz
- Final Examination

Problem Solving and Research Capability

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

This graduate capability is supported by:

Learning outcome

- Choose between alternative quantitative approaches available in corporate finance. Describe benefits and limitations of each.

Assessment tasks

- Class test
- Case Study

Effective Communication

We want to develop in our students the ability to communicate and convey their views in forms effective with different audiences. We want our graduates to take with them the capability to read, listen, question, gather and evaluate information resources in a variety of formats, assess,

write clearly, speak effectively, and to use visual communication and communication technologies as appropriate.

This graduate capability is supported by:

Learning outcome

- Demonstrate teamwork in solving corporate finance problems

Assessment task

- Case Study

Changes from Previous Offering

The weighting of Case Study has increased to 25% in S2 2017, comparing with 15% in S1 2017.

The weighting of Final examination has decrease to 50% in S2 2017, comparing with 60% in S1 2017.