



# AFIN858

## Financial Management and Policy

S1 Evening 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 unit iLearn for details

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.

## General Assessment Information

Grading Policy: assessment in this unit is informed by the [Schedule 1 Grading Requirements of the Assessment Policy](#).

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

## Assessment Tasks

Name	Weighting	Hurdle	Due
<a href="#">Quiz</a>	15%	No	Weekly Week 3-12
<a href="#">Class Test</a>	25%	No	Week 8
<a href="#">Final Examination</a>	60%	No	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, as it contains additional essential information about this assessment task.

Please use the first quiz as an indicator of whether you are progressing satisfactorily in the unit. If you are having difficulties, please see the Unit Convenor and consider withdrawing before the university [Census Date](#).

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: **25%**

*Class Test* is an individual 'closed-book' assessment task held in Week 7, 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.

Make sure to read the *Class Test Information*, to be issued in Week 7 at AFIN858-iLearn, 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.

## Final Examination

Due: **Examination Period**

Weighting: **60%**

*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 two (2) 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.

Moreover, make sure to read the current [Schedule 4 Final Examination Requirements of the Assessment 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, and attempts at 'take home' assessment tasks. The 2 week (mid-semester) non-teaching period is deemed a working 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 at AFIN858-iLearn. 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., Drew, M., Walk, A., Westerfield, R. and B. Jordan. 2017. *Fundamentals of Corporate Finance (7th ed.)* N.Ryde, NSW, Australia: McGraw-Hill Education.

- Note 1: The paper based version is available from [Co-op Bookshop](#) (ISBN 9781743762967, this ISBN includes [\(CONNECT\)](#)).
- Note 2: Contact [McGraw-Hill Education](#) directly for assistance with [CONNECT technical](#) and content enquiries.
- Note 3: A copy of the textbook will be available at the MQ Library 'Closed Reserve' (by mid-February) for short-term loan.
- Disclaimer: Sources other than the 7<sup>th</sup> edition of the textbook may not cover material included in lectures and assessment tasks, nor provide the same treatment, and thus, may not adequately satisfy the learning objectives.

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	Monday	Lecture Topic #	Lecture Pre-reading ^	Homework - CQ *	Homework - Q&P **
1	Feb 27	Introduction to Financial Management and Policy	Ch 1 ( <u>not</u> 1.7) & Ch 2	1.2; 1.4; 1.5; 2.1	1.1; 2.2; 2.6; 2.12; 2.17; 2.23

Week	Monday	Lecture Topic #	Lecture Pre-reading ^	Homework - CQ *	Homework - Q&P **
2	Mar 6	Financial Statements and Long-term Financial Planning	Ch 3 & Ch 4	At AFIN858-iLearn	At AFIN858-iLearn
3	Mar 13	Valuation of Future Cash Flows - Time Value of Money	Ch 5	"	"
4	Mar 20	Valuation of Future Cash Flows - Valuing Shares & Bonds	Ch 6	"	"
5	Mar 27	Capital Budgeting - Net Present Value & Other Investment Criteria	Ch 7	"	"
6	Apr 3	Capital Budgeting - Capital Investment & Project Appraisal	Ch 8 ( <u>not</u> pp. 246-7) Ch 9 (only 9.1, 9.2, 9.6)	"	"
7 <sup>^^</sup>	Apr 10	Risk and Return - Capital Market History CLASS TEST (WEEK 8) INFORMATION	Ch 10	"	"
-	-	2 Week (Mid-semester) Non-Teaching Period	-	-	-
8	May 1	CLASS TEST (in your enrolled tutorial class only) Risk and Return - Security Market Line	Ch 11	"	"
9	May 8	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	May 15	Cost of Capital and Long-term Financing - Shareholder Value	Ch 17	"	"
11	May 22	<i>Case Study Due Mon 26 Oct 12:00 (12 PM) AFIN858-iLearn</i> Cost of Capital and Long-term Financing - Capital Structure	Ch 19	"	"
12	May 29	Cost of Capital and Long-term Financing - Dividend Policy	Ch 18	"	"



Week	Monday	Lecture Topic #	Lecture Pre-reading ^	Homework - CQ *	Homework - Q&P **
13	Jun 5	Review FINAL EXAMINATION INFORMATION	-	-	-

# Indicative, subject to change. To be confirmed at AFIN858-iLearn.

\* CQ refers to in-chapter 'Concept Question' in the textbook. 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, subject to change. To be confirmed at AFIN858-iLearn.

\*\* Q&P refers to end-of-chapter 'Questions and Problems' in the textbook. 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, subject to change. To be confirmed at AFIN858-iLearn.

^ Lecture pre-reading. Subject to confirmation at AFIN858-iLearn.

^^ Refer to the section heading 'Delivery' sub-section 'Workload'. In addition, Week 7 Friday 14 April is a public holiday. No class on a public holiday. Monitor AFIN858-iLearn for additional information.

## 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\\_2016.html](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](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](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/](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.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)

## 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/policy.html)

[http://www.mq.edu.au/policy/docs/disruption\\_studies/schedule\\_outcomes.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](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](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://www.mq.edu.au/about\\_us/offices\\_and\\_units/information\\_technology/help/](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

- 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.

## **Assessment tasks**

- Class Test
- Final Examination

## **Changes from Previous Offering**

Effective S1 2017, the S2 2016 assessment task 'Assignment' at 15% relative weight is discontinued.

Effective S1 2017, the S2 2016 assessment tasks 'Quiz' and 'Class Test' are reweighed as follows: 'Quiz' from 10% to 15% relative weight, and 'Class Test' from 15% to 25% relative weight.