



# ECFS866

## Corporate Finance

AFC Term 3 MB 2017

*Dept of Applied Finance and Actuarial Studies*

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### Disclaimer

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## General Information

Unit convenor and teaching staff

Unit Convenor / Lecturer

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Credit points

4

Prerequisites

Admission to MAppFin 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 Mark of 50 or better) the student must pass the final examination.

## Assessment Tasks

| Name                        | Weighting | Hurdle | Due                |
|-----------------------------|-----------|--------|--------------------|
| <u>Pre-unit Assignment</u>  | 10%       | No     | Refer to iLearn    |
| <u>Mid unit assessments</u> | 15%       | No     | Refer to iLearn    |
| <u>Assignment</u>           | 25%       | No     | Refer to iLearn    |
| <u>Final Exam</u>           | 50%       | Yes    | Refer to Timetable |

### Pre-unit Assignment

Due: **Refer to iLearn**

Weighting: **10%**

#### 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 the concept of shareholder value and the challenges to its implementation.
- Apply appropriate alternative valuation models to “real world” situations.
- 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.
- 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.

## **Assignment**

Due: **Refer to iLearn**

Weighting: **25%**

### **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.

## Final Exam

Due: **Refer to Timetable**

Weighting: **50%**

**This is a hurdle assessment task (see [assessment policy](#) for more information on hurdle assessment tasks)**

### 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](http://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](http://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](http://www.mafc.mq.edu.au).
- Refer to MAFC Program Rules & Procedures at [www.mafc.mq.edu.au](http://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](http://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](http://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:

- 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.

## **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](http://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](http://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:**

Corporate Finance, McGraw-Hill/Irwin:

- Ross, Westerfield & Jaffe, **10th** edition, 2012 (ISBN 9780078034770) (RWJ)
- Ross, Westerfield, Jaffe & Jordan, **11th** edition, 2015 (ISBN 978-0077861759) (RWJJ)

**Either edition of this text can be used.** Note that references to the text in the course notes refer to the 10th edition, but a table of cross referencing to the 11th edition will be provided.

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](http://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:**

- Students should review Topic 5 of Portfolio Management & Valuation
- Students wanting to review introductory Financial Statement analysis and financial modelling, should review the gateway unit "Financial Statement Analysis & Modelling". For those wanting to review introductory material on discounting and valuation, review the gateway unit "Finance Principles".

#### **Useful References:**

- Bodie, Kane and Marcus, *Investments*, McGraw Hill, any edition. (It may be useful to retain your PMV text book.)
- Copeland, Weston & Shastri, *Financial Theory and Corporate Policy*, 4th ed., Pearson Addison Wesley, 2003.
- 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:

Solve for  $Z_5$ :  $\$1,000 =$

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

### 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](https://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 familiarise 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

### PRELIMINARY MATERIAL

Students doing Corporate Finance in 2017 will have done Portfolio Management & Valuation (PMV) as a pre-requisite. You are strongly advised to review the material from Topic 5 of PMV on ***“Fundamental Stock Analysis”***. The ilearn site also contains background material on the ***“Scope of Corporate Finance”*** which you are strongly encouraged to review prior to classes, as it helps define the scope of the unit.

### TOPIC 1: SHAREHOLDER VALUE MAXIMISATION

Topics:

- Introduction
- The economic function of the corporation
- The corporate objective: to maximise shareholder value
- Some challenges to achieving shareholder value maximisation
- Governance and Corporate Control
- Alternative forms of governance and ownership
- Putting Shareholder Value Objectives into Practice: an Introduction to Value Based Management
- Market Participants

Readings:

- RWJ Chapter 1
- 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
- M. J. Mauboussin and D. Callahan, “Capital Allocation: Evidence, Analytical Methods, and Assessment Guidance”, Journal of Applied Corporate Finance, Volume 26, Number

4, Fall 2014

## TOPIC 2: VALUATION PRINCIPLES: REVIEW & EXTENSION

Topics:

- Overview of Valuation Frameworks: OFCF, Residual Income and Multiples
- Review of DCF models: imputation, terminal values, consistency principle
- Review of Multiples Valuation
- Reconciling valuations under the alternative models
- Risk and Value
- Market Participants

Readings:

- Portfolio Management & Valuation, Topic 5
- RWJ, Section 31.1 – 31.3, Section 9.2 – 9.3

## TOPIC 3: VALUATION APPLICATIONS: PART #1

Topics:

- From Enterprise Value to Equity Value
- Sum of the Parts Valuation
- Valuing a divestment
- Valuing Equity Securities
- Valuing a company with Minority Interests

Readings:

N/A

## TOPIC 4: VALUATION APPLICATIONS: PART #2 - PROJECT EVALUATION

Topics:

- Capital Allocation Decisions
- What is Net Present Value (NPV)?
- Calculating NPV using the standard DCF model
- Application of project evaluation tools
- Managing the capital budget
- Market Participants and Practice

Readings:

- RWJ Chapter 5, 6.1 – 6.4, 7.1 & 7.2

- Truong, G., G. Partington and M. Peat, “Cost of Capital Estimation and Capital Budgeting Practice in Australia”, Australian Journal of Management, Vol 33, No 1, June 2008

## **TOPIC 5: VALUATION APPLICATIONS: PART #3 - STRATEGIC FLEXIBILITY, VALUE & PROJECT SELECTION**

Topics:

- Strategic Flexibility and Valuation: An Introduction
- Incorporating risk and strategic flexibility into Tasty Treats
- Using decision trees to evaluate risk and strategic flexibility
- Decision Tree Analysis of Tasty Treats Strategic Flexibility
- An extended example: Magna Charter

Readings:

- RWJ Chapter 7.3 – 7.4, 22.10-11, 23
- Powell and Baker, Ch 4 extracts on Decision Trees (pp55-56 and 64-77)

## **TOPIC 6: WEIGHTED AVERAGE COST OF CAPITAL**

Topics:

- Introduction
- Cost of Capital, Discount Rates: Project v Company
- Risk and the cost of capital
- Adjusting for different financial structures
- Cost of Capital in practice
- The International CAPM
- Market Participants and Practice

Readings:

- RWJ Chapter 13
- James & Koller, Valuation in Emerging Markets

## **TOPIC 7: CAPITAL STRUCTURE & FINANCIAL STRATEGY**

Topics:

- Introduction: the cash flow equation and financial strategy
- Effect of capital structure on Profit and hence on EPS and ROE
- The ‘tax / financial distress costs’ tradeoff model and the Modigliani and Miller (M&M) model
- Equity as an option – the Merton Model [Advanced]

- Agency costs models of capital structure
- Signalling models
- Financial Flexibility and Myers' pecking order model
- Credit ratings and financial strategy
- Empirical evidence on capital structure
- Making capital structure decisions in practice: A process for selecting a capital structure

Readings:

- RWJ Chapter 16, 17, 22.9, 8.2 (pp 247 – 248)
- Denis, D., "Financial Flexibility and Corporate Liquidity", Journal of Corporate Finance, 17 (2011), pp 667 -674

## **TOPIC 8: ALTERNATIVE VALUATION MODELS**

Topics:

- Introduction
- The Assumed Financing Strategy underlying the use of WACC
- Alternative methods of incorporating financing effects in a valuation
- Generalising these results
- Choosing between WACC, APV and FTE
- Applications of APV and FTE

Readings:

- RWJ Chapter 13 and 18

## **TOPIC 9: CAPITAL MANAGEMENT & EQUITY STRATEGY - PRE-READING**

Topics:

- Institutional Framework for Equity Capital
- Equity financing
- Dividend policy overview
- Capital management transactions

Readings:

- RWJ Chapter 20
- A Practitioner's Guide to Corporate Law, A Project of the NSW Young Lawyers Business Law Committee
- ASX Listing Rules: Chapter 7 - Changes in capital and new issues

## **TOPIC 9: CAPITAL MANAGEMENT & EQUITY STRATEGY - IN**

## CLASS

Topics:

- Introduction
- Pricing an IPO
- Costs and benefits of a seasoned equity offering
- Dividend policy overview
- Capital management transactions
- Corporate Financial Policy and the Corporate Life Cycle

Readings:

- RWJ Chapters 19, 20

## TOPIC 10: EVALUATING ASSET BASED FINANCINGS

Topics:

- Introduction
- The market for asset based financings
- Evaluating a lease -- The search for comparative advantage
- Generalising the results

Readings:

- RWJ Chapter 21
- AASB 117 Lease Fact Sheet

## TOPIC 11: MERGERS & ACQUISITIONS

Topics:

- Introduction
- Value based thinking and M&A
- Evaluating some potentially dubious reasons for mergers and acquisitions
- Valuing synergies
- Calculating the Acquisition Cost and NPV of an acquisition when equity is used as consideration

Readings:

- RWJ Chapter 29
- Does M&A Pay? A Survey of Evidence for the Decision-Maker, Robert F Bruner

## 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](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](#).

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](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 enquiry service (MAFC-specific)

For all student enquires, please contact [studentsupport@mafc.mq.edu.au](mailto: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/](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](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 - 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.
- 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

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

## **Assessment tasks**

- Pre-unit Assignment
- Mid unit assessments
- Assignment
- 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**

- Pre-unit Assignment
- Mid unit assessments
- Assignment
- 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.
- 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**

- Pre-unit Assignment
- Mid unit assessments
- Assignment
- 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.
- 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**

- Pre-unit Assignment
- Mid unit assessments
- Assignment
- 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.
- 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

- Pre-unit Assignment
- Mid unit assessments
- Assignment
- Final Exam

## Changes from Previous Offering

The Unit Schedule section of this Unit Guide was updated in April 2015.

The Assessment Tasks section of this Unit Guide was updated in December 2016.

Fail Hurdle grade added to grading descriptors table.

## Important Notice

Pre-reading: **Please read the preliminary 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](http://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 Hurdle to High Distinction; and
  - A numerical Mark which is a summation of the individual assessment components, 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
- Grades for all individual assessment items will be released to students, but Marks may not necessarily be released.

### Specific Unit Grading:

- To pass this unit (requires a Mark of 50 or better) the student must pass the final examination.
  - Students who have attained a total raw mark of 50% or greater in a unit, but have failed the Unit's exam requirement and who have demonstrated "sufficient effort" in the exam, will be granted a single opportunity to sit a Supplementary Exam which will be graded on a pass/fail basis. The unit mark and grade for students who pass this examination will be those corresponding to the original total raw mark of all their assessment tasks, including the original exam. That is, the Supplementary Hurdle Exam only determines the meeting of the hurdle requirement. Students who have attained a raw mark of 50% or greater in a unit, yet failed all attempts at the requirement, will be awarded an FH grade with a final mark of 49.
- All final Marks and 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.   |
| Fail Hurdle      | Student has obtained a raw mark over 50, yet failed all available attempts of at least one hurdle assessment.  |

### 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  |
|------------|--|
| 05/06/2017 | Assessment Tasks and Unit Schedule sections updated. |