



MGNT808

Financial Markets and Valuation

Term 4 North Ryde 2017

MGSM Degree Programs

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General Information

Unit convenor and teaching staff

Lecturer

Vito Mollica

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North Ryde campus

Weekly class - Tuesday 2pm - 6pm (Starts: 19 September 2017)

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Credit points

4

Prerequisites

MGNT803

Corequisites

Co-badged status

Unit description

The fundamentals of financial management are introduced from the perspective of the finance manager in a firm, namely those making investment, financing and dividend decisions.

Finance theory is applied with the aim of providing a coherent framework and insights to assist in forming reasoned judgements. Case studies and financial planning models are used to provide context. The unit covers methods used in evaluating investment projects and an introduction is given to the local debt and equity markets.

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:

Analyse the key features of local debt and equity markets and discuss how these features may influence investment and valuation decision making.

Outline and apply a process, based on integrated theories and frameworks, to value an enterprise or business unit.

Critique a given valuation of a business unit or enterprise, based on an application of the

valuation process, identifying areas where varying interpretations of value may be reasonably applied.

Apply finance theory, frameworks and methods identify and justify evidence based strategic investment, financing and capital budgeting decisions.

Critically consider the implications of a firm's finance and investment decisions/strategies for the full spectrum of stakeholders, in view of the firm's social, ethical and environmental responsibilities.

Assessment Tasks

Name	Weighting	Hurdle	Due
<u>Mid-term Test</u>	40%	No	23 October 2017
<u>Final Examination</u>	60%	No	Exam Week (27 Nov - 2 Dec)

Mid-term Test

Due: **23 October 2017**

Weighting: **40%**

90-minute in class exam. Open book. You will need to be familiar with all materials covered in earlier classes and readings.

On successful completion you will be able to:

- Analyse the key features of local debt and equity markets and discuss how these features may influence investment and valuation decision making.
- Apply finance theory, frameworks and methods identify and justify evidence based strategic investment, financing and capital budgeting decisions.

Final Examination

Due: **Exam Week (27 Nov - 2 Dec)**

Weighting: **60%**

The final examination is of three (3) hours and ten (10) minutes reading time and will be held in the Term 4 Exam Week. More details on the exam will be provided in class.

The exam format will be closed book. The only aids permitted are

1. A hand-held calculator (programmable or scientific), and
2. One (1) double-sided A4 piece of paper containing any information

More details on the exam will be provided in class.

On successful completion you will be able to:

- Analyse the key features of local debt and equity markets and discuss how these features may influence investment and valuation decision making.
- Outline and apply a process, based on integrated theories and frameworks, to value an enterprise or business unit.
- Critique a given valuation of a business unit or enterprise, based on an application of the valuation process, identifying areas where varying interpretations of value may be reasonably applied.
- Apply finance theory, frameworks and methods identify and justify evidence based strategic investment, financing and capital budgeting decisions.
- Critically consider the implications of a firm's finance and investment decisions/strategies for the full spectrum of stakeholders, in view of the firm's social, ethical and environmental responsibilities.

Delivery and Resources

Required Text

Berk, J., Ford, G., DeMarzo, P., Harford, J., Finch, N. & Mollica, V., 2014, Fundamentals of Corporate Finance, 2nd Edition, Pearson, ISBN: 9781442564060

Additional required readings will be available in iLearn

Weekly practice problems and answers will be made available via iLearn.

For information on textbook prices and online ordering, please refer to the Co-Op Bookshop webpage at <http://www.coop.com.au>

The web page for this unit can be found at: <https://ilearn.mq.edu.au/login/MGSM>

The timetable for classes can be found on the MGSM Student website at <https://students.mgsm.edu.au/sydney-students/units/timetables>

Unit Schedule

Please note that the program is listed in order of the topics to be covered, and not lecture time-slots. Consequently, some topics may run over the class period, whereas others will be shorter than the class period.

Topic 1: Introduction

Covers corporate objectives, financial manager decisions and flow of funds

Textbook:

Berk: chapters 1 & 3

Topic 2: Time Value of Money and the Valuation of Cashflow Streams

Covers the basic financial mathematics used in corporate finance, including effective interest rates, and the present/future value of different cash flow structures.

Textbook:	Berk: chapters 4 & 5
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Topic 3: Investment Decision Rules

Covers four investment evaluation techniques, Payback, Accounting Rate of Return, Net Present Value and Internal Rate of Return and issues in applying the techniques.

Textbook:	Berk: chapter 8
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Topic 4: Capital Budgeting

Covers four investment evaluation techniques, Payback, Accounting Rate of Return, Net Present Value and Internal Rate of Return and issues in applying the techniques.

Textbook:	Berk: chapter 9
Supplementary Materials:	see iLearn

Topic 5: Equity and Debt Valuation

Covers the characteristics of debt and equity instruments and their valuation, the markets in which they transact.

Textbook:	Berk: chapter 5,6, & 10
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Topic 6: Financial Modelling and Growth

Covers the development of a pro-forma financial model of the firm by directly forecasting capital expenditure, working capital and financing needs.

Textbook:	Berk: chapter 18 & 2
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Topic 7: Market and Firm Risk

Covers the pricing of equity market risk using the capital asset pricing model.

Textbook:

Berk: chapters 11 & 12

Topic 7: Cost of Capital and Capital Structure

Covers the measurement of a firm's cost of capital and the determination of the impact of corporate decisions on funding streams

Textbook:

Berk: chapters 13 & 16

Topic 8: Dividend Policy

Covers dividend policy, the impact of dividend imputation and capital gains tax, equity buybacks and share option schemes.

Textbook:

Berk: chapter 17

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

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

- Apply finance theory, frameworks and methods identify and justify evidence based strategic investment, financing and capital budgeting decisions.
- Critically consider the implications of a firm's finance and investment decisions/strategies

for the full spectrum of stakeholders, in view of the firm's social, ethical and environmental responsibilities.

Assessment task

- Final Examination

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

- Analyse the key features of local debt and equity markets and discuss how these features may influence investment and valuation decision making.
- Outline and apply a process, based on integrated theories and frameworks, to value an enterprise or business unit.

Assessment tasks

- Mid-term 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

- Critique a given valuation of a business unit or enterprise, based on an application of the valuation process, identifying areas where varying interpretations of value may be reasonably applied.
- Apply finance theory, frameworks and methods identify and justify evidence based strategic investment, financing and capital budgeting decisions.
- Critically consider the implications of a firm's finance and investment decisions/strategies for the full spectrum of stakeholders, in view of the firm's social, ethical and environmental responsibilities.

Assessment task

- Final Examination

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

- Critique a given valuation of a business unit or enterprise, based on an application of the valuation process, identifying areas where varying interpretations of value may be reasonably applied.
- Apply finance theory, frameworks and methods identify and justify evidence based strategic investment, financing and capital budgeting decisions.
- Critically consider the implications of a firm's finance and investment decisions/strategies for the full spectrum of stakeholders, in view of the firm's social, ethical and environmental responsibilities.

Assessment tasks

- Mid-term Test
- Final Examination

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

- Critique a given valuation of a business unit or enterprise, based on an application of the valuation process, identifying areas where varying interpretations of value may be reasonably applied.
- Apply finance theory, frameworks and methods identify and justify evidence based strategic investment, financing and capital budgeting decisions.
- Critically consider the implications of a firm's finance and investment decisions/strategies

for the full spectrum of stakeholders, in view of the firm's social, ethical and environmental responsibilities.

Assessment tasks

- Mid-term Test
- Final Examination

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

- Apply finance theory, frameworks and methods identify and justify evidence based strategic investment, financing and capital budgeting decisions.
- Critically consider the implications of a firm's finance and investment decisions/strategies for the full spectrum of stakeholders, in view of the firm's social, ethical and environmental responsibilities.

Assessment task

- Final Examination

Attendance Policy (MGSM)

The interactive environment of the classroom is central to the MGSM experience. Students are required to attend the full duration of all classes for the units in which they are enrolled. We recognise that exceptional circumstances may occur, such as unavoidable travel on behalf of your organization or the serious illness or injury of you or a close family member.

Special consideration may be given for a maximum of 20% non-attendance for such circumstances as long as lecturers are contacted in advance, and supporting documentation provided, to request exemption from attendance. Failure to abide by these conditions may result in automatic withdrawal, with academic and/or financial penalty. The full Student Attendance Policy is published in the MGSM Student Handbook at <https://students.mgsm.edu.au/handbook>

Unit alignment with MGSM's mission-driven attributes

- Leadership: The unit develops skills required of leaders with respect to the synthesis of a wide array of financial information in order to make well-informed and financially robust

strategic decisions

- **Global mindset:** The unit enables learners to assess the implications of strategic decisions from a whole of entity perspective, across a wide spectrum of stakeholders
- **Citizenship:** The unit supports learners to conduct decisions taking into account the implications for all stakeholders and without abusing power or privilege
- **Creating sustainable value:** The unit encourages adoption of a forward-looking perspective on the impact of decisions on the financial position and performance of the entity