AFIN808

Corporate Finance

City S1 Day 2019

Department of Applied Finance

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General Information

Unit convenor and teaching staff
Unit Convenor
Wei Cui
wei.cui@mq.edu.au
Contact via wei.cui@mq.edu.au
Available on iLearn

Credit points
4

Prerequisites
ACST603 or AFIN858 or MGNT603 or MGNT808

Corequisites

Co-badged status

Unit description
The objective of this unit is to explore the theory and application of corporate finance issues at an advanced level, and to equip students with the required depth of knowledge and skill expected of a professional. Following a brief revision of basic financial concepts covered in earlier finance courses, the unit investigates the more complicated theoretical issues and analytical techniques in corporate finance. In particular, a critical approach is adopted which involves identifying the assumptions and limitations of these techniques when applied to the real world. Students are encouraged to understand that often the best method is a matter of debate, and that they must choose a method from a group of methods all of which have various limitations. This critical approach is reinforced by examining a number of real life corporate finance projects.

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:

To apply investment and financing concepts to business decisions

To evaluate cost of capital, project risks and the financial viability of projects

To evaluate the effect of capital structure on value of firms and projects.

To apply options methodology to value business opportunities and firms.

To apply teamwork skills to attain effective and professional group outcomes

General Assessment Information

Feedback Prior Census Date: A self-assessment online quiz will be released in Week 3 for feedback prior to the census date. The quiz outcome does not form part of the course marks but is 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 census date.

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

Rubric: the *Presentations* will be assessed against criterion and performance standards set out in a marking *Rubric,* which will be provided to students on the iLearn.

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 exam mark) will not be addressed.

Assessment Tasks

Name	Weighting	Hurdle	Due
Assessed Coursework	5%	No	Random weeks
Presentation	15%	No	Allocated week
Class Test	20%	No	Week 8
Final Exam	60%	No	See Exam Timetable

Assessed Coursework

Due: **Random weeks**
Weighting: **5%**

Task Description: Each collection is worth a maximum of 2.5%. There will be two random collections during the semester. Students must attend the relevant lecture in order to submit their homework. To get full marks, students need to apply some effort to research their answers or add some insight to the standard text solution. Students who copy the text-book solution word for word will receive 0 marks. **Type of Collaboration:** Individual **Submission:** In class **Format:** Refer to iLearn **Length:** Refer to iLearn **Inherent Task Requirements:** Refer to iLearn **Late Submission:** No extensions will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0 for the task, except for cases in which an application for

Special Consideration is made and approved
On successful completion you will be able to:

- To apply investment and financing concepts to business decisions
- To evaluate cost of capital, project risks and the financial viability of projects
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Presentation

Due: **Allocated week**
Weighting: **15%**

Task Description:
Students will be formed into groups. Each group will be allocated a topic on a key concept or an application of finance. The group will research the topic, prepare a report and present it to the class.

The presentation will be graded based on content and delivery: depth of research, relevance of contents to the topic, organisation of ideas and students' ability to give the audience insights - to engage, inspire, persuade, and energise the audience. Every student must participate in the group presentations and report so that individual student contribution to the group presentations and report can be identified. Each member of a group will be required to complete an assessment of the contributions of individual members.

Type of Collaboration: Group **Submission:** It will be submitted through Turnitin and a hard-copy will be handed-in to the lecturer in the allocated week. Presentation will be in-class in allocated week. **Format:** Presentation will be 20 minutes (including 5 minutes for discussions) in allocated week. The report will be a combination of notes and presentation slides **Length:** As above **Inherent Task Requirements:** Refer to iLearn **Late Submission:** No extensions will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0 for the task, except for cases in which an application for Special Consideration is made and approved.
On successful completion you will be able to:

- To apply investment and financing concepts to business decisions
- To evaluate cost of capital, project risks and the financial viability of projects
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- To apply options methodology to value business opportunities and firms.
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Class Test

Due: **Week 8**
Weighting: **20%**

Task Description:
"Closed book" in-class test will be conducted in week 8.

Time and venue to be advised on iLearn.

A formula sheet will be provided with the test paper.

Type of Collaboration: Individual Submission: In-class Format: The test will contain both theoretical and calculation questions. Length: 65 Minutes Inherent Task Requirements: Refer to iLearn Late Submission: No extensions will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0 for the task, except for cases in which an application for special consideration is made and approved.
On successful completion you will be able to:

- To apply investment and financing concepts to business decisions
- To evaluate cost of capital, project risks and the financial viability of projects

Final Exam

Due: **See Exam Timetable**
Weighting: **60%**

Task Description: The content of the "closed book" final exam will give greater weight to topics covered later in the course (that is, topics not covered by the class test). Students will be permitted one *'Reference Sheet'* in the examination room comprising ONE A4 page of paper containing reference material printed on both sides. The material may be handwritten and/or typed. The page will not be returned to students at the end of the final examination. No separate formula sheet will be provided. **Type of Collaboration:** Individual **Submission:** During examination period **Format:** Refer to iLearn **Length:** 120 minutes plus 10 minutes of 'reading' time **Inherent Task Requirements:** Refer to iLearn **Late Submission:**
No extensions will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0 for the task, except for cases in which an application for special consideration is made and approved.

On successful completion you will be able to:

- To apply investment and financing concepts to business decisions
- To evaluate cost of capital, project risks and the financial viability of projects
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- To apply options methodology to value business opportunities and firms.

Delivery and Resources

Required Text:	Ross, Westerfield, Jaffe and Jordan. Corporate Finance, 11th Edition, McGraw Hill Irwin. ISBN: 9780077861759 The prescribed text can be purchased from the Macquarie University Co-op Bookshop.

Unit Web Page:	**AFIN808-iLearn:** The unit Website is only available to students enrolled in AFIN808. Students will be able to access the unit web page by the use of their normal university user/password details. Please contact the IT Help Desk if you have any difficulties accessing the unit web page: Phone:(02)9850HELP(4357) Option1 or Freecall:1800063191 FacetoFace: ITHelpDesk, C5C244 24/7Email:help@mq.edu.au **The Website will contain important unit materials, including:** • Course details — An outline of the unit, including assessment tasks • Announcements—notices updating students on important matters regarding the unit. • Assignment • Suggested answers and solutions to homework questions • Results — for assignment and other assessable material.
Technology Used and Required:	The Text book provides access to various on-line resources. Further, a number of the class exercises are designed to be completed using excel. Students are encouraged to use excel when attempting these exercises.
Delivery Format and Other Details:	**CLASSES** The Unit involves 3 hours face-to-face teaching per week consisting of a 3 hour seminar. There will be thirteen lectures. The timetable for classes can be found on the University website at: http://www.timetables.mq.edu.au/ Attendance at seminars is a compulsory component of the Unit, and students are expected to attend all classes. **LEARNING AND TEACHING ACTIVITIES** This is meant to be a 2nd unit in corporate finance. Most students will have completed an introductory financial management / corporate finance unit. As a more advanced unit, some of the topics covered will be familiar to students but we will be covering them at a more in - depth level. Some other topics will be completely new. As in the introductory unit, students need to work through the quantitative and other problems which are selected each week from the text. However, an important objective of this unit is to make the student aware of the limitations of financial theory and of the assumptions made in making finance and investment decisions.
Recommended Readings:	
Other Course Materials:	

Unit Schedule

Week	Topics	Ross et al. Chapters
1	TOPIC 1 - Overview of corporate finance and valuation	1, 4, 5
2	TOPIC 2 - Project evaluation and project risk analysis	6, 7 (not sec. 7.3)
3	TOPIC 3 - Alternative theories on risk and return	11,12
4	TOPIC 4 - Capital structure and limits to use of debt	16, 17
5	TOPIC 5 - Valuation and capital budgeting for levered firm	18
6	TOPIC 6 Raising capital and dividend policy	19, 20

7	TOPIC 7 - Convertible bonds & warrants and lease finance	21, 24
	MID-SEMESTER BREAK	
8	**Mid-Semester Test (No lecture) See above**	
9	TOPIC 8 - Corporate finance applications of options - I	22
10	TOPIC 9 - Corporate finance applications of options - II	23 and JP Ch. 22**
11	TOPIC 10 - Mergers, acquisitions and divestitures	29
12	TOPIC 11 - Project & infrastructure financing	Reading on the iLearn
13	Topic 12 - Private Equity & Corporate and Exam overview	29.13, BMA* 32

* BMA Ch. 32 - Brealey, Myers and Allen (2014), Principles of Corporate Finance, 11e, McGraw-Hill Irwin.

**JP Ch. 22 – Jonathan Berk, Peter DeMarzo (2013), Corporate finance, 3e, Pearson Global Edition.

Policies and Procedures

Macquarie University policies and procedures are accessible from Policy Central (https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central). Students should be aware of the following policies in particular with regard to Learning and Teaching:

- Academic Appeals Policy
- Academic Integrity Policy
- Academic Progression Policy
- Assessment Policy
- Fitness to Practice Procedure
- Grade Appeal Policy
- Complaint Management Procedure for Students and Members of the Public
- Special Consideration Policy *(**Note:** The Special Consideration Policy is effective from 4 December 2017 and replaces the Disruption to Studies Policy.)*

Undergraduate students seeking more policy resources can visit the Student Policy Gateway (https://students.mq.edu.au/support/study/student-policy-gateway). It is your one-stop-shop for the key policies you need to know about throughout your undergraduate student journey.

If you would like to see all the policies relevant to Learning and Teaching visit Policy Central (https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/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/study/getting-started/student-conduct

Results

Results published on platform other than eStudent, (eg. iLearn, Coursera etc.) 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 or if you are a Global MBA student contact globalmba.support@mq.edu.au

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

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

If you are a Global MBA student contact globalmba.support@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 - 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

- To apply investment and financing concepts to business decisions
- To evaluate cost of capital, project risks and the financial viability of projects
- To evaluate the effect of capital structure on value of firms and projects.
- To apply options methodology to value business opportunities and firms.

Assessment tasks

- Assessed Coursework
- Class Test
- 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

- To apply investment and financing concepts to business decisions
- To evaluate cost of capital, project risks and the financial viability of projects
- To evaluate the effect of capital structure on value of firms and projects.
- To apply options methodology to value business opportunities and firms.
- To apply teamwork skills to attain effective and professional group outcomes

Assessment tasks

- Assessed Coursework
- Presentation
- Class Test

- 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 outcome

- To apply teamwork skills to attain effective and professional group outcomes

Assessment task

- Presentation

Research and Practice

Research and Practice

- This unit uses research from external sources (references)
- This unit gives you practice in applying research findings in your assessments.

There is a close relationship between theory and practice in corporate finance. Every day the media is filled with events relevant to corporate finance. Students should constantly be looking for examples of the theory from a topic, as reflected in a media story.