



MGSM835

Financial Management

Term 1 North Ryde 2019

Department of Applied Finance

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General Information

Unit convenor and teaching staff

Associate Professor

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Block Class: January 18-20, Feb 2-3 2019

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Credit points

4

Prerequisites

MGSM840

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, assessing risk for competing projects, valuation and capital structure.

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:

Apply finance theory, frameworks and methods to form reasoned, responsible, evidence-based and 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.

Evaluate appropriate models of business finance performance to measure and track the firm's value creation across the firm's operations.

Assessment Tasks

| Name | Weighting | Hurdle | Due |
|-------------------|-----------|--------|-------------------------------|
| Mid-Term Exam | 40% | No | In class Session 6 |
| Final Examination | 60% | No | Exam Week: 18 - 23 March 2019 |

Mid-Term Exam

Due: **In class Session 6**

Weighting: **40%**

90-minute in class exam. Multiple choice and short answer

On successful completion you will be able to:

- Apply finance theory, frameworks and methods to form reasoned, responsible, evidence-based and 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.
- Evaluate appropriate models of business finance performance to measure and track the firm's value creation across the firm's operations.

Final Examination

Due: **Exam Week: 18 - 23 March 2019**

Weighting: **60%**

Duration: 3 hours plus 10 minutes reading time

Format: Closed book exam

Date: Exam Week 18 - 23 March 2019

Weighting: 60%

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

- (i) A hand-held calculator (non-programmable or scientific), and
- (ii) 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:

- Apply finance theory, frameworks and methods to form reasoned, responsible, evidence-based and 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.
- Evaluate appropriate models of business finance performance to measure and track the firm's value creation across the firm's operations.

Delivery and Resources

Recommended Text

Berk, J., DeMarzo, P., Harford, J., Ford, G., & Mollica, V., 2017, Fundamentals of Corporate Finance, 3rd Edition, Pearson, ISBN: 9781488611001

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

<http://www.pearson.com.au/products/A-C-Berk-DeMarzo-Harford-Ford-Mollic/A-C-Berk-Jonathan-et-al/Fundamentals-of-Corporate-Finance/9781488611001?R=9781488611001>

MGSM iLearn

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

Unit Schedule

Block Class: January 18-20, Feb 2-3 2019

Students are required to attend all classes.

The unit will be presented over 10 Sessions as follows:

| Session | Topic | Textbook Chapter |
|---------|----------------------------------------------------------------|--------------------|
| 1 | Introduction/Time Value of Money | Chapters 1 |
| 2 | Financial Mathematics | Chapters 3, 4, & 5 |
| 3 | Capital Budgeting and Investment Evaluation | Chapters 8 |
| 4 | Capital Budgeting and Investment Evaluation-NPV Special Topics | Chapters 9 |
| 5 | Stocks and Bonds | Chapter 6 & 7 |
| 6 | Business Valuation | Chapter 2, 10 & 18 |

| | | |
|----|---------------------------------------|--------------------------|
| 7 | Risk and Return | Chapters 11 12 |
| 8 | Capital Structure and Cost of Capital | Chapters 13, 14, 15 & 16 |
| 9 | Payout Policy | Chapter 17 |
| 10 | Revision | |

Unit Requirements:

Students are required to:

- Prepare for and participate in class
- Complete a mid-semester exam (40%)
- Complete a three-hour, closed-book examination (60% of total unit mark)

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) (<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) (<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) (<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

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 - 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 outcome

- Evaluate appropriate models of business finance performance to measure and track the firm's value creation across the firm's operations.

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

- Apply finance theory, frameworks and methods to form reasoned, responsible, evidence-based and 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.
- Evaluate appropriate models of business finance performance to measure and track the firm's value creation across the firm's operations.

Assessment tasks

- Mid-Term Exam
- 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

- Apply finance theory, frameworks and methods to form reasoned, responsible, evidence-based and 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.

- Evaluate appropriate models of business finance performance to measure and track the firm's value creation across the firm's operations.

Assessment tasks

- Mid-Term Exam
- 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 outcome

- 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.

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

- Apply finance theory, frameworks and methods to form reasoned, responsible, evidence-based and strategic investment, financing and capital budgeting decisions.

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 outcome

- Evaluate appropriate models of business finance performance to measure and track the

firm's value creation across the firm's operations.

Changes from Previous Offering

No changes from previous offering.

Alignment of this unit 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 decision.

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

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>

Content Disclaimer

The content of this unit is provided for educational purposes only and no decision should be made based on the material without obtaining independent professional advice relating to the particular circumstances involved.

Session Topics and Readings

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, corporate financial decisions and potential conflicts when setting financial objectives.

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|------------------|------------------|
| Textbook: | Berk: chapters 1 |
|------------------|------------------|

Topic 2: Financial mathematics

Covers the basic mathematics used in financial valuation, including the present value of different cash flow structures and accumulated future cash positions for different cash flow structures.

| | |
|------------------|-------------------------|
| Textbook: | Berk: chapters 3, 4 & 5 |
|------------------|-------------------------|

Topic 3: Capital budgeting and investment evaluation

Covers investment evaluation techniques and issues in applying the net present value technique and special applications of the net present value technique.

| | |
|------------------|----------------------|
| Textbook: | Berk: chapters 8 & 9 |
|------------------|----------------------|

Topic 4: Stocks and bonds

Covers valuation of stocks and bonds and techniques for valuing companies, including the free-cash flow approach and earnings multiples approaches.

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|---------------------------------|---------------------|
| Textbook: | Berk: chapter 6 & 7 |
| Supplementary Materials: | see iLearn |

Topic 5: Business Valuation

Covers sustainable growth and valuing the financing (debt and equity) components of a company

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|---------------------------------|--------------------------|
| Textbook: | Berk: chapter 2, 10 & 18 |
| Supplementary Materials: | see iLearn |

Topic 6: Risk and return

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

Textbook:

Berk: chapters 11 & 12

Topic 7: Capital Structure Decisions and cost of capital

Covers the criteria and considerations for deciding the optimal capital structure of a company and calculating the weighted average cost of capital

Textbook:

Berk: chapters 13,14, 15 & 16

Topic 8: Management of equity: Dividend decisions and equity buybacks

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

Textbook:

Berk: chapter 17