



# MGSM835

## Financial Management

Term 4 North Ryde 2019

*Department of Applied Finance*

### Contents

<u>General Information</u>	2
<u>Learning Outcomes</u>	2
<u>Assessment Tasks</u>	3
<u>Delivery and Resources</u>	6
<u>Unit Schedule</u>	6
<u>Policies and Procedures</u>	7
<u>Graduate Capabilities</u>	8
<u>Changes from Previous Offering</u>	10
<u>Alignment with MGSM's mission-driven attributes</u>	10
<u>Attendance Policy (MGSM)</u>	10
<u>Content Disclaimer</u>	10

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## General Information

Unit convenor and teaching staff

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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
<u>Class Test</u>	25%	No	21 Oct 2019, 24 Oct 2019
<u>Syndicate Assignment</u>	25%	No	18 Nov 2019, 21 Nov 2019
<u>Final Examination</u>	50%	No	Exam week: 25 Nov - 30 Nov 2019

### Class Test

Due: **21 Oct 2019, 24 Oct 2019**

Weighting: **25%**

Assessment date for Shane Magee's class: 21 Oct 2019.

Assessment date for Peter John's class: 24 October 2019

60-minute in class test

Format: closed book (one double-sided A4 sheet of study notes is permitted).

No extensions will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0, except for cases in which special consideration is made and approved.

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.

### Syndicate Assignment

Due: **18 Nov 2019, 21 Nov 2019**

Weighting: **25%**

Submission: electronic copy into iLearn

Assessment due date for Shane Magee's class: 18 Nov 2019.

Assessment due date for Peter John's class: 21 Nov 2019

In a syndicate of 4-5 people you are required to undertake a financial valuation of a company listed on the Australian Securities Exchange. You are required to value the equity of the company and provide a buy, sell or hold recommendation based on your analysis. You will be advised of the company in class.

The objective of the assignment is not to achieve the current share price. Rather it presents an opportunity for you to apply your valuation skills and knowledge of financial management issues to an actual company. This assignment brings together most aspects of the course, including cash flow analysis, capital structure issues, estimating the cost of capital and valuation techniques.

Your report should include the following components:

1. A one-page executive summary that outlines your main findings and recommendations.
2. A summary of the company and its markets:
  - Products
  - Markets, market share and growth
  - Competition
  - Management and other resources
3. A summary of key financial ratios and examination of factors that have driven the performance of the company over recent years.
4. A summary of future prospects for the company and an outline of the key assumptions that you will use for your financial valuation. Please ensure that you articulate the basis for your assumptions.
5. A description of the risk and financial valuation methodologies that you will use in your project.
6. A summary of your valuation results and your recommendations.
7. Appendices: valuation spreadsheets, ratios and calculations.

The main objective of the assignment is to demonstrate your understanding of the valuation of the equity of companies. Parts 2 to 4 are used to build your financial model. Part 5 demonstrates your understanding of the theoretical and practical aspects of the various valuation methods. In Part 6 you will need to draw together the information from Parts 2 to 5 to obtain the valuation required which will support your recommendation.

#### HOW TO PRESENT YOUR REPORT AND THE NUMBER OF WORDS REQUIRED:

The report for the group assignment should include an executive summary. All appendices, etc should be clearly referenced in the main body of your reports. Do not include an appendix that you do not refer to in the main body of your report. Ensure that you footnote your work clearly and show the sources of material used. Also, you should include a bibliography. Be clear and succinct, ensuring that you state your arguments clearly and justify any assumptions made in your analysis.

Word limit: 3,000 (excluding appendices)

Marking criteria will be made available in class.

50% of the marks for the assignment (i.e. 12.5 marks) will be assessed based on individual contribution. Students will be required to complete a Self and Peer Assessment form so that the contribution of individual members in a group can be identified and assessed. Further instructions will be provided on iLearn.

No extensions will be granted. There will be a deduction of 10% of the total available marks made from the total awarded mark for each 24 hour period or part thereof that the submission is late (for example, 25 hours late in submission – 20% penalty). This penalty does not apply for cases in which an application for special consideration is made and approved.

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: 25 Nov - 30 Nov 2019**

Weighting: **50%**

The final examination is of two and a half (2.5) hours and ten (10) minutes reading time.

The exam format will be closed book (one double-sided A4 sheet of study notes is permitted). More details on the exam will be provided in class.

You are expected to present yourself for examination at the time and place designated in the MGSM Examination Timetable. The timetable will be available at <https://students.mgsm.edu.au/sydney-students/units/exams/>

No extensions will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0, except for cases in which special consideration is made and approved.

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

### Required Text

Berk, J., DeMarzo, P., Harford, J., Ford, G. & Mollica, V., 2018, Fundamentals of Corporate Finance, 3rd edition, Pearson, ISBN: 978-1-4886-1100-1

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

### MGSM iLearn

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

## Unit Schedule

Weekly class – Shane Magee - Monday 9am – 1pm (Starts: 16 September 2019)

Weekly class – Peter John - Thursday 6pm – 10pm (Starts: 19 September 2019)

Students are required to attend all classes.

The unit will be presented over 10 weeks as follows:

Session	Topic	Textbook Chapter
1	Introduction	Chapter 1
2	Financial Mathematics	Chapters 3, 4, & 5
3	Capital Budgeting and Investment Evaluation	Chapter 8
4	Capital Budgeting and Investment Evaluation - NPV Special Topics	Chapter 9
5	Business Valuation	Chapters 2, 10 & 18
6	Stocks and Bonds	Chapters 6 & 7
7	Risk and Return	Chapters 11 & 12
8	Cost of Capital and Capital Structure I	Chapters 13 & 14
9	Capital Structure II and Payout Policy	Chapters 15, 16 & 17

## 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](https://ask.mq.edu.au) or if you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto: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](https://mq.edu.au/learningskills)) provides academic writing resources and study

strategies to improve your marks and take control of your study.

- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module for Students](#)
- [Ask a Learning Adviser](#)

## Student Services and Support

Students with a disability are encouraged to contact the [Disability Service](#) who can provide appropriate help with any issues that arise during their studies.

## Student Enquiries

For all student enquiries, visit Student Connect at [ask.mq.edu.au](http://ask.mq.edu.au)

If you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto: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/](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

- 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

- Class Test



- Syndicate Assignment
- 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.
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### Assessment tasks

- Class Test
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- 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

- 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

- Class Test
- Syndicate Assignment
- Final Examination

## Changes from Previous Offering

No changes from previous offering.

## 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 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.