



AFCP861

Corporate Financial Strategy

AFC Term 3 MB 2019

Department of Applied Finance

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General Information

Unit convenor and teaching staff

Unit Convenor / Lecturer

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Contact via Email

Credit points

2

Prerequisites

(Admission to MAppFin or MAppFin(Adv) or GradDipAppFin) and ECFS866

Corequisites

Co-badged status

Unit description

A company's financial strategy requires simultaneous decisions about capital structure, dividend and capital management, cash levels, financial risk profile and target credit rating. All of these decisions must be made in the context of the company's operating performance and growth strategies. Taking the CFO perspective, this unit will give students the opportunity to analyse and develop a company's preferred financial strategy. This unit should appeal to those involved in developing financial strategy for corporations, and investment and corporate bankers who might advise CFO's on financial strategy. The unit also addresses issues in: managing external stakeholders, particularly investor relations; risk allocation between various stakeholders; and the role of complex financial structures. The unit also equips students to evaluate alternative equity raising and capital management transaction structures. Although the unit will take a strategic perspective, students will be able to develop financial modelling skills to support the necessary analysis.

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 and explain the types of decisions required to integrate financial strategy that support organisational objectives, and recognise the role of financial markets.

Critically evaluate trade-offs in developing corporate financial strategy, and make

appropriate recommendations.

Identify and critically assess the impact of risk on the design of corporate financial strategy.

Explain and critically assess vanilla and non-vanilla financing products in developing financial strategy.

Identify and resolve issues in developing financial strategy for offshore operations

General Assessment Information

To pass this unit the student needs to (1) Achieve an aggregate mark of 50 or more, and; (2) Pass the Final Exam.

Assessment Tasks

Name	Weighting	Hurdle	Due
<u>Pre-unit Assignment</u>	10%	No	First Class
<u>Assignment</u>	35%	No	Refer to iLearn
<u>Final Exam</u>	55%	Yes	Refer to Timetable

Pre-unit Assignment

Due: **First Class**

Weighting: **10%**

Summary of Assessment Task

Individual / Group: Individual.

Due Date: First Class.

Submission Method: At or before the first class. Please bring a copy to class for class use as well.

Duration: Refer to Assignment Coversheet.

Extension Requests:

- No extensions will be granted.
- There will be a deduction of 10% of the total available marks for each 24 hour period or part thereof. This penalty does not apply for cases in which an application for Special Consideration has been made and approved.
- No submission will be accepted after solutions have been discussed or posted by the lecturer. As this normally occurs on day 2 of classes, students need to be aware that submissions are rarely accepted beyond the first 24 hour late period.

- Note: Applications for Special Consideration must be made within 5 (five) business days of the due date and time.
- Refer to MAFC Program Rules at <https://mafcstudents.mq.edu.au/> for information on the University's [Special Consideration Policy](#).

On successful completion you will be able to:

- Analyse and explain the types of decisions required to integrate financial strategy that support organisational objectives, and recognise the role of financial markets.
- Explain and critically assess vanilla and non-vanilla financing products in developing financial strategy.

Assignment

Due: **Refer to iLearn**

Weighting: **35%**

Summary of Assessment Task

Individual / Group: Individual.

Due Date: Refer to the unit's iLearn site.

Submission Method: Online via Turnitin on the unit's iLearn site.

Duration: Refer to Assignment Coversheet.

Extension Requests:

- 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 incurs a 20% penalty). This penalty does not apply for cases in which an application for Special Consideration is made and approved.
- Late submissions will be accepted up to 96 hours after the due date and time.
- Note: Applications for Special Consideration must be made within 5 (five) business days of the due date and time.
- Refer to MAFC Program Rules at <https://mafcstudents.mq.edu.au/> for information on the University's [Special Consideration Policy](#).

Other Information:

- The assignment is included in the unit notes.
- It will give students the opportunity to apply the techniques used in the unit. It is *expected* there will be a choice of applications, to cater for individual student interests.

- The requirements of the assignment will be further reviewed in class.

On successful completion you will be able to:

- Analyse and explain the types of decisions required to integrate financial strategy that support organisational objectives, and recognise the role of financial markets.
- Critically evaluate trade-offs in developing corporate financial strategy, and make appropriate recommendations.
- Identify and critically assess the impact of risk on the design of corporate financial strategy.

Final Exam

Due: **Refer to Timetable**

Weighting: **55%**

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.

Submission Method: As per MAFC Program Rules at <https://mafcstudents.mq.edu.au/>.

Duration: 2 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 (one double-sided A4 page), to be advised by the Lecturer prior to the Exam.
 - Calculators - permitted calculators are noted under 'Calculators' below.
- Exam times and locations are noted in the unit timetable at <https://www.mq.edu.au/about/about-the-university/faculties-and-departments/business/study-with-us/macquarie-applied-finance-centre/timetables>.
- Refer to MAFC Program Rules at <https://mafcstudents.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 <https://www.mq.edu.au/about/about-the-university/faculties-and-departments/business/study-with-us/macquarie-applied-finance-centre/timetables>.
- Deferral of an examination is not permitted unless an application for Special

Consideration is made and approved.

- Students who do not attend receive a mark of zero. This penalty does not apply in cases where an application for Special Consideration has been made and approved.
- Note: Applications for Special Consideration must be made within 5 (five) business days of the due date and time.
- Refer to MAFC Program Rules at <https://mafstudents.mq.edu.au/> for information on the University's [Special Consideration Policy](#).

On successful completion you will be able to:

- Critically evaluate trade-offs in developing corporate financial strategy, and make appropriate recommendations.
- Identify and critically assess the impact of risk on the design of corporate financial strategy.
- Explain and critically assess vanilla and non-vanilla financing products in developing financial strategy.
- Identify and resolve issues in developing financial strategy for offshore operations

Delivery and Resources

CLASSES

Face-to-Face Teaching: Generally 18 hours.

Timetable: Detailed timetable for classes are available at <https://www.mq.edu.au/about/about-the-university/faculties-and-departments/business/study-with-us/macquarie-applied-finance-centre/timetables>.

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: Nil

Course Resources:

- The unit notes and iLearn contain all the requisite material for the classes, assignments and final examination. The value of the unit will be maximised if you are able to review unit notes and readings prior to classes. Please critically assess the material in these

readings, in particular the case studies.

- iLearn contains spreadsheet solutions for the problems in the notes, and additional discussion on a number of items. Students should download the spreadsheets prior to class, and you should bring printouts or a laptop to help you follow them in class.
- Students should assume any additional readings are examinable unless otherwise advised.

Lecture Notes: Available in printed form and electronically via iLearn.

Case Studies:

- There are a number of case studies in the notes (Trees and Portes). Please read these cases before classes, as they will be discussed in class.
- ***Students are not required to solve the cases – this will be done in class.***

Pre-unit Materials:

- Your time in class will benefit from having read the course material prior to class;
- The pre-unit assignment draws on your Corporate Finance material, so should be regarded as an opportunity for quick revision of Corporate Finance notes on financial strategy.

Useful References:

- There are books available to help develop your financial modelling skills. 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 calculations is required.
- In examinations, hand held calculators are permitted. Mobile phones and computers are not permitted.

Assumed Access:

- Access to a computer with word processing and spreadsheet capability is assumed, as is general student computer literacy.
- Access to a laptop, taken to class, is desirable.

TECHNOLOGY USED AND REQUIRED

Unit iLearn Site:

- Found by logging on to iLearn ilearn.mq.edu.au, then clicking on **AFCP861 Corporate Financial Strategy**.
- This is where you will find links to forums, downloadable resources and other important pages.
- iLearn forums allow you to communicate with other students and lecturer(s) and may provide supplementary material.
- Please post questions to forums at least 24 hours prior to an assignment submission date or an examination date. Questions posted after that time may not be answered.
Please try to not leave your questions to the last few days.

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

1. ELEMENTS OF FINANCIAL STRATEGY: ALTERNATIVES & TRADEOFFS (2 SESSIONS)

We examine the elements in establishing an integrated financial strategy, including capital structure, dividend policy, cash and risk profile, and how it relates to other key corporate strategies, particularly growth. We review how each element of financial strategy is related to value, and how to make trade-offs between these various elements of financial strategy to develop an overall strategy that best supports organisational strategy and objectives:

Material covered in this topic includes:

- The link between financial strategy, risk management and value
- Practical guidelines on financial strategy
- Life cycle models of financial strategy
- Brief review of risk management alternatives: especially capital versus hedging etc
- Integration of risk management and financial strategy
- Review of empirical evidence on financial strategy

2. MODELLING TOOLS TO HELP IN DESIGNING FINANCIAL STRATEGY

In this topic we review the analytical tools available to help design financial strategy. These include financial modelling, ratings prediction models, as well as a review of cash flow processes and how they impact an assessment of risk:

Material covered in this topic includes:

- Financial modelling tools for assessing risk
- Analytical models of capital structure
- Ratings prediction models

3. DESIGNING COMPLEX CAPITAL STRUCTURES

Many companies have capital structures that comprise more than ordinary shares, for equity, and corporate debt. Hybrid instruments, convertibles, subordinated debt and project finance are some examples. We will examine the role of these complex capital structures and how to assess the benefits and costs:

Material covered in this topic includes:

- Menu of choices on non-standard debt and equity products
- Assessing the true cost of non-standard financial products
- Review of industry specific capital structures

4. CAPITAL STRUCTURES IN MULTINATIONALS

Financial structures in multinationals add another layer of complexity, with the need to address issues of tax, currency risk, repatriation etc. This section reviews financial strategy options for multinational companies:

Material covered in this topic includes:

- Financial strategy complexities posed by multinational operations
- Funding and risk management strategies available to MNCs
- Integrating financial and business strategies in MNCs

5: MANAGING STAKEHOLDERS (PARTICULARLY SHAREHOLDERS)

Examines important non transaction aspects of financial strategy:

Material covered in this topic includes:

- Investor relations strategies
- Communications and disclosure strategies (including the role of 'guidance')

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 term. 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 \(https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central\)](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

Students should also consult the MAFC Program Rules found at <https://mafcstudents.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 enquiry service (MAFC-specific)

For all student enquiries, please contact 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.

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 outcomes

- Analyse and explain the types of decisions required to integrate financial strategy that support organisational objectives, and recognise the role of financial markets.
- Critically evaluate trade-offs in developing corporate financial strategy, and make appropriate recommendations.
- Identify and critically assess the impact of risk on the design of corporate financial strategy.
- Explain and critically assess vanilla and non-vanilla financing products in developing financial strategy.
- Identify and resolve issues in developing financial strategy for offshore operations

Assessment tasks

- Pre-unit Assignment
- 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

- Analyse and explain the types of decisions required to integrate financial strategy that support organisational objectives, and recognise the role of financial markets.
- Critically evaluate trade-offs in developing corporate financial strategy, and make appropriate recommendations.
- Identify and critically assess the impact of risk on the design of corporate financial strategy.
- Explain and critically assess vanilla and non-vanilla financing products in developing financial strategy.
- Identify and resolve issues in developing financial strategy for offshore operations

Assessment tasks

- Pre-unit Assignment
- 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

- Analyse and explain the types of decisions required to integrate financial strategy that support organisational objectives, and recognise the role of financial markets.
- Critically evaluate trade-offs in developing corporate financial strategy, and make appropriate recommendations.
- Identify and critically assess the impact of risk on the design of corporate financial strategy.
- Explain and critically assess vanilla and non-vanilla financing products in developing financial strategy.
- Identify and resolve issues in developing financial strategy for offshore operations

Assessment tasks

- Pre-unit Assignment
- Assignment
- Final Exam

Important Notice

This Unit Guide may be subject to change. Students will be advised, via an "Announcement" on iLearn, if the Unit Guide is changed.

The latest version is available at <https://unitguides.mq.edu.au/>.

Students should read the Unit Guide carefully at the start of term. It contains important information about the unit. If anything is unclear, please consult one of the unit lecturers.