ACST603

Principles of Finance

S2 External 2019

Department of Actuarial Studies and Business Analytics

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Disclaimer

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General Information

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See ilearn

Lecturer
Dr. Keith Woodward
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See iLearn

Credit points
4

Prerequisites
Admission to MAccg or MAccg(Adv) or MAcc(Prof)MCom or MActPrac or MAppEcon or MBkgFin or MBioBus or MCom or MEc or MIntBus or MIntBusMIntComm or MIntBusMIntRel

Corequisites

Co-badged status

Unit description
This unit aims to provide students with a knowledge and understanding of the principles and techniques underlying theory and practice in corporate finance. Topics include: - basic financial mathematics: interest rates, present values, future values, annuities, perpetuities; - valuation and analysis of debt and equity securities; - methods for investment evaluation and capital budgeting: NPV, IRR, PP; - financial markets and raising finance by issuing new securities; - risk and return, and the cost of capital; - capital structure and dividend policy; - derivative securities: forward, futures and option contracts, and applications to corporate finance; - corporate liabilities and international finance; and - introduction to risk management.

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 demonstrate knowledge and understanding of the principles and techniques

underlying theory and practice in Corporate Finance and Capital Markets.

Develop expertise in using spreadsheet software to build financial models and perform calculations for security valuation and corporate decision making.

Demonstrate awareness of different financial instruments and their valuation and usefulness in a Corporate Finance context.

Explain the concepts covered in the course in a clear and concise manner and be able to communicate it to others effectively.

General Assessment Information

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 tasks (not including the final exam mark) will not be addressed.

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

Assessment Tasks

Name	Weighting	Hurdle	Due
Online - quiz	5%	No	Week 4
Mid Term test (Lecture)	20%	No	Week 8
Assignment	15%	No	Week 9
Final exam	60%	No	University Examination Period

Online - quiz

Due: **Week 4**
Weighting: **5%**

Due Mon 19 August at 11:59pm. Please use the Online quiz as an indicator of whether you are progressing satisfactorily in the unit. If you are having difficulties, please discuss your progress with your teacher and consider withdrawing before the Census date .

On successful completion you will be able to:

- To demonstrate knowledge and understanding of the principles and techniques underlying theory and practice in Corporate Finance and Capital Markets.
- Demonstrate awareness of different financial instruments and their valuation and

usefulness in a Corporate Finance context.

Mid Term test (Lecture)

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

This 1 hour paper-based invigilated test will be conducted in **lectures**. Further details and any changes will be announced on iLearn.

External students are also expected to attend the test in one of the lecture times.

Extension

No extensions will be granted. Students who have not sat the exam 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 demonstrate knowledge and understanding of the principles and techniques underlying theory and practice in Corporate Finance and Capital Markets.
- Demonstrate awareness of different financial instruments and their valuation and usefulness in a Corporate Finance context.
- Explain the concepts covered in the course in a clear and concise manner and be able to communicate it to others effectively.

Assignment

Due: **Week 9**
Weighting: **15%**

Answer a series of written and/or numerical questions.

Submission:

Submissions should be made online via iLearn's Turnitin link. Excel spreadsheet solutions may also require submission electronically via iLearn. Evidence of extensive research may be required (i.e. academic journals, financial press references, quotes and financial data etc).

Extension

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. No submission will be accepted after solutions/feedback have been posted/provided.

On successful completion you will be able to:

- To demonstrate knowledge and understanding of the principles and techniques underlying theory and practice in Corporate Finance and Capital Markets.
- Develop expertise in using spreadsheet software to build financial models and perform calculations for security valuation and corporate decision making.
- Demonstrate awareness of different financial instruments and their valuation and usefulness in a Corporate Finance context.
- Explain the concepts covered in the course in a clear and concise manner and be able to communicate it to others effectively.

Final exam

Due: **University Examination Period**
Weighting: **60%**

This will be a 2 hour invigilated and closed book exam conducted during the University Examination Period. Note that this will not be an online exam. External students are expected to attend the exam on campus during University Examination Period.

Extension

No extensions will be granted. Students who have not sat the exam 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 demonstrate knowledge and understanding of the principles and techniques underlying theory and practice in Corporate Finance and Capital Markets.
- Develop expertise in using spreadsheet software to build financial models and perform calculations for security valuation and corporate decision making.
- Demonstrate awareness of different financial instruments and their valuation and usefulness in a Corporate Finance context.
- Explain the concepts covered in the course in a clear and concise manner and be able to communicate it to others effectively.

Delivery and Resources

Classes

- For Ryde campus students: Lectures run for 2 hours. Tutorial computer lab sessions run for 1 hour and 30 minutes. Students are expected to attend both.
- For distance students: All lecture content and tutorial exercises and solutions will be available on iLearn in pdf form.

The tutorials in particular are important so that you become familiar with MS Excel spreadsheet software which will be assessed in the test, assignment and final exam.

The timetable for classes can be found on the University web site at: http://www.timetables.mq.edu.au/

All lecture content and tutorial exercises and solutions will be available on iLearn.

There are no prizes for this unit.

Required and recommended texts and materials

Textbooks:

The textbook for this unit is "Fundamentals of Corporate Finance" by Parrino et al, 3rd Edition (ISBN: 9780730363460, 9780730355175). An electronic version of the book is available from Wiley Direct and is cheaper than the paper version. Also see book online link below:

https://www.wileydirect.com.au/buy/fundamentals-of-corporate-finance-3rd-edition/

This book covers most but not all of the topics in the unit. The lecture notes will also cover what you need to know. Additional readings may be assigned for the various topics each week. This will either be journal articles, or other materials available on ilearn, web or available electronically e.g. via the Macquarie University Library.

Reference Books:

Berk, J and Demarzo, P. Corporate Finance, Pearson (ISBN 9780273756033)

Beninga Principles of Finance with Excel, Oxford (ISBN 978 0 19 975547 9) This book may be used by students to learn about using MS Excel for the various financial calculations involved in the course, during the tutorial / computer lab sessions.

Copeland, Weston and Shastri, Financial Theory and Corporate Policy 4th Edition, Pearson (ISBN 0-321-22353-5)

Grinblatt and Titman, Financial Markets and Corporate Strategy 2nd Edition, McGraw-Hill (ISBN 0-07-229433-7)

Hull, Options, Futures and Other Derivatives 8th Edition, Prentice Hall

Technology Used and Required

Students will require access to the internet to download lecture slides and tutorial solutions.

The assignment and most tutorial exercises will require the use of word processing and spreadsheet programs.

In most weeks we will be using spreadsheets for the various financial calculations needed. Tutorial classes are held in a computer laboratory and all students will have access to a computer with the required software installed on it.

Students will be instructed in how to use MS Excel for the purposes of the unit.

Unit Web Page

Course material is available on the learning management system (iLearn)

Unit Schedule

Week	**Date** (Monday)	**Topic**
1	29.7.19	Business organisations, taxation and financial statements.
2	5.8.19	Time value of money and interest rates. Tutorials run in second week.
3	12.8.19	Valuation of multi-payment cash flows.
4	19.8.19	Amortising loans and valuation of fixed income bonds. **Quiz due (5%)**
5	26.8.19	Valuation of shares and raising new capital.
6	2.9.19	Dividend policy and company valuation.
7	9.9.19	Statistical concepts and risk
Break		Mid-semester break from Monday 16.9.19 to Friday 27.9.19.
8	30.9.19	**Mid-Semester test (20%)** (No tutorial classes)
9	7.10.19	Trade-off between risk and return. **Assignment due (15%)**
10	14.10.19	Capital budgeting - project evaluation methods
11	21.10.19	Term structure of interest rates and corporate bonds.
12	28.10.19	Cost of capital and capital structure.
13	4.11.19	Revision

Learning and Teaching Activities

Lectures and tutorials

The unit is taught via lectures and smaller computer-based tutorial workshops where we will use spreadsheet software for implementing models and calculations for the purpose of financial decision making. Each lecture is self-contained. Students are expected to read the relevant chapters prior to the lecture, so that they are familiar with the material to be covered. This will greatly enhance your learning experience. Dealing with advanced material in our subject area requires a range of generic skills which we'll develop. The lectures and in particular the assignment and tutorial exercises are tailored to enhance critical analysis, problem-solving and

creative thinking, comprehension, computing and writing skills. You should take the time to work on the problem sets, since they will tend to be similar in nature to the problems you see on the test and exam. Solutions will be provided for the assigned selected questions. We cover many examples of financial valuation and decision making problems and how to solve these using spreadsheets. Calculators also used for more simple problems. Our approach is one of learning by example and by practicing using MS Excel to solve financial decision making problems.

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

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

Discipline Specific Knowledge and Skills

Our graduates will take with them the intellectual development, depth and breadth of knowledge, scholarly understanding, and specific subject content in their chosen fields to make them competent and confident in their subject or profession. They will be able to demonstrate, where relevant, professional technical competence and meet professional standards. They will be able to articulate the structure of knowledge of their discipline, be able to adapt discipline-specific knowledge to novel situations, and be able to contribute from their discipline to inter-disciplinary solutions to problems.

This graduate capability is supported by:

Learning outcomes

- To demonstrate knowledge and understanding of the principles and techniques

underlying theory and practice in Corporate Finance and Capital Markets.
- Develop expertise in using spreadsheet software to build financial models and perform calculations for security valuation and corporate decision making.
- Demonstrate awareness of different financial instruments and their valuation and usefulness in a Corporate Finance context.
- Explain the concepts covered in the course in a clear and concise manner and be able to communicate it to others effectively.

Assessment tasks

- Online - quiz
- Mid Term test (Lecture)
- Final exam

Critical, Analytical and Integrative Thinking

We want our graduates to be capable of reasoning, questioning and analysing, and to integrate and synthesise learning and knowledge from a range of sources and environments; to be able to critique constraints, assumptions and limitations; to be able to think independently and systemically in relation to scholarly activity, in the workplace, and in the world. We want them to have a level of scientific and information technology literacy.

This graduate capability is supported by:

Learning outcomes

- To demonstrate knowledge and understanding of the principles and techniques underlying theory and practice in Corporate Finance and Capital Markets.
- Develop expertise in using spreadsheet software to build financial models and perform calculations for security valuation and corporate decision making.
- Demonstrate awareness of different financial instruments and their valuation and usefulness in a Corporate Finance context.
- Explain the concepts covered in the course in a clear and concise manner and be able to communicate it to others effectively.

Assessment tasks

- Mid Term test (Lecture)
- Assignment
- Final exam

Effective Communication

We want to develop in our students the ability to communicate and convey their views in forms effective with different audiences. We want our graduates to take with them the capability to

read, listen, question, gather and evaluate information resources in a variety of formats, assess, write clearly, speak effectively, and to use visual communication and communication technologies as appropriate.

This graduate capability is supported by:

Learning outcomes

- To demonstrate knowledge and understanding of the principles and techniques underlying theory and practice in Corporate Finance and Capital Markets.
- Develop expertise in using spreadsheet software to build financial models and perform calculations for security valuation and corporate decision making.
- Demonstrate awareness of different financial instruments and their valuation and usefulness in a Corporate Finance context.
- Explain the concepts covered in the course in a clear and concise manner and be able to communicate it to others effectively.

Assessment task

- Assignment

Changes from Previous Offering

The assessment structure and unit schedule has been modified. Additional practice questions will be covered end of lectures every week during semester to enhance student understanding of topics underlying principles of finance.