ACST8029
Capital Budgeting and Financial Modelling
Session 1, Infrequent attendance, North Ryde 2021
Department of Actuarial Studies and Business Analytics

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Disclaimer
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Notice
As part of Phase 3 of our return to campus plan, most units will now run tutorials, seminars and other small group activities on campus, and most will keep an online version available to those students unable to return or those who choose to continue their studies online.

To check the availability of face-to-face activities for your unit, please go to timetable viewer. To check detailed information on unit assessments visit your unit’s iLearn space or consult your unit convenor.
Unit guide ACST8029 Capital Budgeting and Financial Modelling

General Information

Unit convenor and teaching staff
Unit Convenor
Colin Zhang
colin.zhang@mq.edu.au

Credit points
10

Prerequisites
ACST603 or ACST6003 or admission to MAActPrac

Corequisites

Co-badged status

Unit description
This unit covers established methods for the valuation and appraisal of investment projects and related financial decisions. It also covers the new ‘real options approach’ to investment appraisal, including the application of exotic options pricing formulae to real options using Microsoft Excel to build financial models, and introducing students to Visual Basic/Excel macros for financial modelling.

Important Academic Dates
Information about important academic dates including deadlines for withdrawing from units are available at https://students.mq.edu.au/important-dates

Learning Outcomes
On successful completion of this unit, you will be able to:

ULO1: Understand current established methods for the valuation and appraisal of investment projects, their advantages and disadvantages and the development of financial models for this purpose.

ULO2: Build the financial models and perform the calculations to implement these methods using Microsoft Excel.

ULO3: Demonstrate an introductory understanding of the “real options approach” to investment appraisal.

ULO4: Document a financial decision making problem and its solution using spreadsheet software and communicate the results to interested stakeholders.
General Assessment Information

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

It is the responsibility of students to view their marks for each within-session-assessment on iLearn within 20 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.

Late submissions and extensions

Tasks 10% or less – 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.

Tasks above 10% - 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 have been posted.

Assessment Tasks

<table>
<thead>
<tr>
<th>Name</th>
<th>Weighting</th>
<th>Hurdle</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assignment 1</td>
<td>20%</td>
<td>No</td>
<td>Week 5</td>
</tr>
<tr>
<td>Class test</td>
<td>10%</td>
<td>No</td>
<td>Week 7</td>
</tr>
<tr>
<td>Final Exam</td>
<td>50%</td>
<td>No</td>
<td>Exam period</td>
</tr>
<tr>
<td>Assignment 2</td>
<td>20%</td>
<td>No</td>
<td>Week 10</td>
</tr>
</tbody>
</table>

Assignment 1

Assessment Type ¹: Modelling task
Indicative Time on Task ²: 20 hours
Due: Week 5
Weighting: 20%

This is an individual assignment which focuses on building financial models and performing the calculations to implement these methods using an Excel spreadsheet.

On successful completion you will be able to:
- Understand current established methods for the valuation and appraisal of investment
projects, their advantages and disadvantages and the development of financial models for this purpose.

- Build the financial models and perform the calculations to implement these methods using Microsoft Excel.
- Document a financial decision making problem and its solution using spreadsheet software and communicate the results to interested stakeholders.

Class test

Assessment Type 1: Quiz/Test
Indicative Time on Task 2: 13 hours
Due: Week 7
Weighting: 10%

The class test will be 60 minutes open-book written paper with no reading time, to be held during the lecture time.

On successful completion you will be able to:

- Understand current established methods for the valuation and appraisal of investment projects, their advantages and disadvantages and the development of financial models for this purpose.

Final Exam

Assessment Type 1: Examination
Indicative Time on Task 2: 28 hours
Due: Exam period
Weighting: 50%

The final examination will be a 2 hour examination with ten minutes reading time.

On successful completion you will be able to:

- Understand current established methods for the valuation and appraisal of investment projects, their advantages and disadvantages and the development of financial models for this purpose.
- Build the financial models and perform the calculations to implement these methods using Microsoft Excel.
Demonstrate an introductory understanding of the “real options approach” to investment appraisal.

Assignment 2
Assessment Type: Modelling task
Indicative Time on Task: 20 hours
Due: Week 10
Weighting: 20%

This is an individual assignment which focuses on building financial models and performing the calculations to implement these methods using an Excel spreadsheet.

On successful completion you will be able to:
- Build the financial models and perform the calculations to implement these methods using Microsoft Excel.
- Demonstrate an introductory understanding of the “real options approach” to investment appraisal.
- Document a financial decision making problem and its solution using spreadsheet software and communicate the results to interested stakeholders.

1 If you need help with your assignment, please contact:
- the academic teaching staff in your unit for guidance in understanding or completing this type of assessment
- the Learning Skills Unit for academic skills support.

2 Indicative time-on-task is an estimate of the time required for completion of the assessment task and is subject to individual variation

Delivery and Resources

Classes
- A 3-hour lecture / tutorial will be held each week.
- All lecture and tutorial exercises and solutions will be available on iLearn.

Required and Recommended Texts and/or Materials Prescribed

Textbooks:
There is no specific required text for this unit. Detailed lecture materials are provided. However
the following books are useful references:


**Technology Used and Required**

You will be required to use the teaching website, Excel and Word.

**Unit Web Page**

Course material is available on the learning management system (iLearn). To access the teaching website, go to http://ilearn.mq.edu.au and login using your usual login and password.

**Teaching and Learning Activities**

- The unit is taught via lectures, tutorial exercises and the use of spreadsheet software for implementing models and calculations for the purpose of financial decision making.
- Each lecture is self-contained and structured according to the summary provided in the "weekly curriculum" section below. Students are expected to read the relevant lecture notes 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. This unit aims at developing such skills. The lectures and in particular the assignments 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.
- We cover many examples of financial valuation and decision making problems and how to solve these using spreadsheets. Our approach is one of learning by example and by practising using excel to solve financial decision making problems.

**Unit Schedule**

<table>
<thead>
<tr>
<th>Week</th>
<th>Lecture</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>Introduction to excel, introductory financial mathematics &amp; functions. Translating mathematical formulae into excel code. Application to pricing bonds and bills. Excel implementation.</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
<td>Further topics in financial mathematics. Amortizing loans, annuities, leases &amp; bonds. Excel implementation.</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td>Introduction to capital budgeting. Project cashflows and methods for their estimation.</td>
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### 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.)*

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/admin/other-resources/student-conduct](https://students.mq.edu.au/admin/other-resources/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/](http://students.mq.edu.au/support/)

Learning Skills

Learning Skills ([mq.edu.au/learningskills](http://mq.edu.au/learningskills)) provides academic writing resources and study strategies to help you improve your marks and take control of your study.

- **Getting help with your assignment**
- **Workshops**
- **StudyWise**
- **Academic Integrity Module**

The Library provides online and face to face support to help you find and use relevant information resources.

- **Subject and Research Guides**
- **Ask a Librarian**

Student Enquiry Service

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

Equity 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.

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](https://unitguides.mq.edu.au/unit_offerings/133721/unit_guide/print).
The policy applies to all who connect to the MQ network including students.