# ACST6003

**Principles of Finance**

Session 2, In person-scheduled-weekday, North Ryde 2022

*Department of Actuarial Studies and Business Analytics*

## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Information</td>
<td>2</td>
</tr>
<tr>
<td>Learning Outcomes</td>
<td>2</td>
</tr>
<tr>
<td>General Assessment Information</td>
<td>3</td>
</tr>
<tr>
<td>Assessment Tasks</td>
<td>3</td>
</tr>
<tr>
<td>Delivery and Resources</td>
<td>5</td>
</tr>
<tr>
<td>Unit Schedule</td>
<td>6</td>
</tr>
<tr>
<td>Policies and Procedures</td>
<td>7</td>
</tr>
</tbody>
</table>

## Disclaimer

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General Information

Unit convenor and teaching staff
Unit Convenor
Farida Akhtar
farida.akhtar@mq.edu.au

Credit points
10

Prerequisites
Admission to GradCertFin or GradDipAppFin or MAccg or MAccLead or MAAppEcon or MAAppFin or MAAppFin(Adv) or MBkgFin or MCom or MIntBus or MProfAcc or MProfAccgLead or MBusAnalytics or MBioBus

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: Net Present Value (NPV), Internal Rate of Return (IRR), Payback Period (PP); business organisation and taxation, financial markets and raising finance; tradeoff between risk and return, the cost of capital and capital structure; dividend policy and company valuation; corporate liabilities and international finance; bond valuation and term structure; statistical concepts and risks; fixed income bonds and amortisation; introduction to risk management, application of financial mathematics concepts using MS Excel based activities within a corporate finance context.

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:

ULO1: Exhibit knowledge and understanding of the principles and techniques underlying theory and practice in Corporate Finance and Capital Markets.
ULO2: Develop expertise in using spreadsheet software to build financial models and perform calculations for security valuation and corporate decision making.

ULO3: Be aware of different financial instruments and their valuation and usefulness in a Corporate Finance context.

ULO4: 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

Late Assessment Submission Penalty (written assessments)

Unless a Special Consideration request has been submitted and approved, a 5% penalty (of the total possible mark) will be applied each day a written assessment is not submitted, up until the 7th day (including weekends). After the 7th day, a grade of ‘0’ will be awarded even if the assessment is submitted. Submission time for all written assessments is set at 11.55pm. A 1-hour grace period is provided to students who experience a technical concern.

For any late submissions of time-sensitive tasks, such as scheduled tests/exams, performance assessments/presentations, and/or scheduled practical assessments/labs, students need to submit an application for Special Consideration.

Assessment Tasks

<table>
<thead>
<tr>
<th>Name</th>
<th>Weighting</th>
<th>Hurdle</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class Test</td>
<td>20%</td>
<td>No</td>
<td>Week 7</td>
</tr>
<tr>
<td>Assignment</td>
<td>20%</td>
<td>No</td>
<td>Week 10</td>
</tr>
<tr>
<td>Final Exam</td>
<td>60%</td>
<td>No</td>
<td>University formal examination period</td>
</tr>
</tbody>
</table>

Class Test

Assessment Type 1: Quiz/Test
Indicative Time on Task 2: 9 hours
Due: Week 7
Weighting: 20%

A one hour class test will be held in the session.

On successful completion you will be able to:

- Exhibit knowledge and understanding of the principles and techniques underlying theory and practice in Corporate Finance and Capital Markets.
• Be aware 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
Assessment Type 1: Problem set
Indicative Time on Task 2: 10 hours
Due: Week 10
Weighting: 20%

This is an individual assignment which focuses on corporate financing using Excel spreadsheet.

On successful completion you will be able to:
• Exhibit 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.
• Be aware 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
Assessment Type 1: Examination
Indicative Time on Task 2: 20 hours
Due: University formal examination period
Weighting: 60%

The final examination will be a two-hour examination, to be held during the University 
Examination period.

On successful completion you will be able to:
• Exhibit 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.
• Be aware 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.

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 Writing Centre 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: 3.5 hours of teaching per week.
  • one 2 hours lecture and  • one 1.5 hour tutorial lab (practical).

NOTE: Tutorials begin in week 2.

Textbooks Prescribed Textbook • The textbook for this unit is Fundamentals of Corporate Finance by Parrino et al, 4th Edition (ISBN: 9780730382577). An electronic version of the book is available from Wiley Direct and is cheaper than the paper version: https://www.wileydirect.com.au/buy/ fundamentals-of-corporatefinance-4th-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.

Additional Readings • Berk, J and Demarzo, P. Corporate Finance, Pearson (ISBN 978027373756033) • 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.

Technology Used and Required • You will need access to the internet to obtain course information and download teaching materials from the unit website. • It is your responsibility to check the unit iLearn site regularly to make sure that you are up-to-date with the information for the unit. • MS Excel will be used extensively throughout the unit.

Unit Web Page The web page for this unit can be found at: iLearn http://ilearn.mq.edu.au

Required Unit Materials and/or Recommended Readings • Lecture slides/notes, tutorial and any other additional materials on iLearn are the required materials and will be posted on the
website before lectures. • Relevant references will be provided in Lectures as recommended materials. Some of them will be posted on the website.

**Passing the Unit** Students must obtain a mark of 50% to pass the unit. There are no other hurdle requirements for

### Unit Schedule

<table>
<thead>
<tr>
<th>Week</th>
<th>Week beginning Monday</th>
<th>Topic</th>
<th>Book Chapter</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>25-Jul</td>
<td>Introduction to Business Organisations and Taxation</td>
<td>Ch. 1 – 3 &amp; additional material</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>01-Aug</td>
<td>Time Value of Money and Interest Rates</td>
<td>Ch. 5 &amp; additional material</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>08-Aug</td>
<td>Valuation of Multi-Payment Cash Flows</td>
<td>Ch. 6</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>15-Aug</td>
<td>Risk and Return</td>
<td>Ch. 7</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>22-Aug</td>
<td>Bond Valuation and the Structure of Interest Rates</td>
<td>Ch. 8 &amp; additional material</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>29-Aug</td>
<td>Share Valuation</td>
<td>Ch. 9 &amp; additional material</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>05-Sep</td>
<td>CLASS TEST (NO Lecture and Tutorial)</td>
<td>CLASS TEST</td>
<td></td>
</tr>
<tr>
<td>Recess</td>
<td>12-Sep</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recess</td>
<td>19-Sep</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>26-Sep</td>
<td>The Fundamentals of Capital Budgeting</td>
<td>Ch. 10 &amp; additional material</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>03-Oct</td>
<td>Cash Flows and Capital Budgeting</td>
<td>Ch. 11</td>
<td>(Mon 3 Oct is public holiday)</td>
</tr>
<tr>
<td>10</td>
<td>10-Oct</td>
<td>Evaluation Project Economics and Capital Rationing</td>
<td>Ch. 12</td>
<td>ASSIGNMENT DUE</td>
</tr>
<tr>
<td>11</td>
<td>17-Oct</td>
<td>The Cost of Capital</td>
<td>Ch. 13</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>24-Oct</td>
<td>Capital Structure Policy</td>
<td>Ch. 16</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>31-Oct</td>
<td>Revision</td>
<td></td>
<td></td>
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</tbody>
</table>
Policies and Procedures

Macquarie University policies and procedures are accessible from Policy Central (https://policies.mq.edu.au). 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
- Assessment Procedure
- Complaints Resolution Procedure for Students and Members of the Public
- Special Consideration Policy

Students seeking more policy resources can visit Student Policies (https://students.mq.edu.au/support/study/policies). It is your one-stop-shop for the key policies you need to know about throughout your undergraduate student journey.

To find other policies relating to Teaching and Learning, visit Policy Central (https://policies.mq.edu.au) and use the search tool.

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

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

Academic Integrity

At Macquarie, we believe academic integrity – honesty, respect, trust, responsibility, fairness and courage – is at the core of learning, teaching and research. We recognise that meeting the expectations required to complete your assessments can be challenging. So, we offer you a range of resources and services to help you reach your potential, including free online writing and maths support, academic skills development and wellbeing consultations.

Student Support

Macquarie University provides a range of support services for students. For details, visit http://students.mq.edu.au/support/
The Writing Centre

The Writing Centre provides resources to develop your English language proficiency, academic writing, and communication skills.

- Workshops
- Chat with a WriteWISE peer writing leader
- Access StudyWISE
- Upload an assignment to Studiosity
- Complete the 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 Services and Support

Macquarie University offers a range of Student Support Services including:

- IT Support
- Accessibility and disability support with study
- Mental health support
- Safety support to respond to bullying, harassment, sexual harassment and sexual assault
- Social support including information about finances, tenancy and legal issues

Student Enquiries

Got a question? Ask us via AskMQ, or contact Service Connect.

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.