ACST8029
Capital Budgeting and Financial Modelling
Session 1, In person-scheduled-weekday, North Ryde 2024
Department of Actuarial Studies and Business Analytics

Contents

General Information ................................................. 2
Learning Outcomes ................................................. 2
General Assessment Information .................. 3
Assessment Tasks ................................................... 3
Delivery and Resources ...................................... 5
Unit Schedule ....................................................... 6
Policies and Procedures ...................................... 7

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## General Information

<table>
<thead>
<tr>
<th>Unit convenor and teaching staff</th>
<th>Colin Zhang</th>
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</thead>
<tbody>
<tr>
<td></td>
<td><a href="mailto:colin.zhang@mq.edu.au">colin.zhang@mq.edu.au</a></td>
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</table>

| Credit points | 10 |

| Prerequisites | ACST603 or ACST6003 or admission to MActPrac |

| Corequisites |

| Co-badge 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://www.mq.edu.au/study/calendar-of-dates](https://www.mq.edu.au/study/calendar-of-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

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>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>Assignment 2</td>
<td>20%</td>
<td>No</td>
<td>Week 10</td>
</tr>
<tr>
<td>Final Exam</td>
<td>50%</td>
<td>No</td>
<td>Exam period</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 approximately 60 minutes and to be held in the session.

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.

**Assignment 2**
Assessment Type 1: Modelling task
Indicative Time on Task 2: 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.

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

The final exam will be approximately two hours, to be held during the University Examination Period.

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.

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
• 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>
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<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>
</tr>
<tr>
<td>5</td>
<td>5</td>
<td>Project appraisal using NPV, IRR, ARR, PP and other methods. Excel implementation</td>
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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 Advocacy provides independent advice on MQ policies, procedures, and processes
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.

Unit information based on version 2024.02 of the Handbook