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General Information

Unit convenor and teaching staff
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Credit points
4

Prerequisites
(ACCG849 or ECON649) and (ACCG615 or ACCG860) and (ACCG862 or ACCG923)

Corequisites

Co-badge status

Unit description
This unit introduces participants to first principles of contemporary financial theory and practice. Topics include financial mathematics, financial markets and instruments, valuation of securities, measurement and analysis of risk including portfolio theory, investment decisions and evaluation, cost of capital, capital structure policy, and dividend policy. This prepares participants to learn more complex theoretical and analytical techniques, and enables them to apply their knowledge to real life corporate finance situations.
Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at [https://students.mq.edu.au/important-dates](https://students.mq.edu.au/important-dates)

Learning Outcomes

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

- Describe the environment in which financial decision making takes place
- Demonstrate and apply the first principles of the time value of money to real life type problems
- Extend the principles of time value of money to the valuation of shares and bonds
- Explain the risk and return trade-off
- Demonstrate and apply the principles of investment decisions
- Describe essential issues in long term financial policy

Assessment Tasks

<table>
<thead>
<tr>
<th>Name</th>
<th>Weighting</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. On-Line Quizzes</td>
<td>10%</td>
<td>Weekly</td>
</tr>
<tr>
<td>2. Class Test</td>
<td>15%</td>
<td>Week 7</td>
</tr>
<tr>
<td>3. Group Assignment</td>
<td>15%</td>
<td>Week 10</td>
</tr>
<tr>
<td>4. Final Examination</td>
<td>60%</td>
<td>Examination period</td>
</tr>
</tbody>
</table>

1. On-Line Quizzes

Due: Weekly

Weighting: 10%

These 10 online quizzes will be completed weekly commencing in Week 2. More detailed information and instructions will be posted on iLearn. These quizzes are intended to promote progressive learning which will assist students in other assessment tasks such as class test and final examination.

Extension: No extensions will be granted.

Penalties: Students who do not attempt a weekly quiz by the due date will be awarded a mark of zero ("0"). Note: No supplementary quizzes will be offered.

On successful completion you will be able to:

- Describe the environment in which financial decision making takes place
- Demonstrate and apply the first principles of the time value of money to real life type problems
- Extend the principles of time value of money to the valuation of shares and bonds
- Explain the risk and return trade-off
- Demonstrate and apply the principles of investment decisions
- Describe essential issues in long term financial policy

2. Class Test

Due: **Week 7**
Weighting: **15%**

Submission To be held in class time. This test will be a closed book assessment task and will test understanding of concepts and techniques. Students may only sit the test in their registered class unless prior permission is received from the unit convenor. Further details will be posted on iLearn closer to the date of the test.

Extension No extensions will be granted.

Penalties Students who do not attempt the class test on the due date will be awarded a mark of zero ("0") except for cases in which an application for special consideration is made and approved. The special consideration should be lodged on-line via [www.ask.mq.edu.au](http://www.ask.mq.edu.au) within the approved timeframe. Only if a special consideration is granted will the 15% relative weight be added to the relative weight of the end of semester final examination. Note: No supplementary class test will be offered.

On successful completion you will be able to:
- Describe the environment in which financial decision making takes place
- Demonstrate and apply the first principles of the time value of money to real life type problems
- Extend the principles of time value of money to the valuation of shares and bonds
- Explain the risk and return trade-off

3. Group Assignment

Due: **Week 10**
Weighting: **15%**

Submission This team assignment will cover a contemporary topic in finance and will be prepared in the form of a business type report. Details of the assignment will be posted on iLearn by the end of Week 2.

Extension No extensions will be granted.

Penalties Strict instructions on assignment submission will be posted on iLearn.
have not attempted or submitted the assignment by its due date will be awarded a mark of zero ("0") except for cases in which an application for special consideration is made and approved.

On successful completion you will be able to:
- Describe the environment in which financial decision making takes place
- Demonstrate and apply the first principles of the time value of money to real life type problems
- Extend the principles of time value of money to the valuation of shares and bonds
- Explain the risk and return trade-off
- Demonstrate and apply the principles of investment decisions
- Describe essential issues in long term financial policy

4. Final Examination

Due: Examination period
Weighting: 60%

Submission A 3 hour examination will be held during the university examination period and will follow MQ Final Examination Policy. Further details of the format of the examination will be provided on iLearn. One A4 white page containing hand written notes on both sides may be brought into the examination. Financial tables will be supplied in the examination.

To be eligible for a passing grade in this unit a pass is required in the final examination.

Extension No extensions will be granted.

Penalties Students who have not attended the examination on the due date will be awarded a mark of zero ("0"), except for cases in which an application for a special consideration is made and approved.

On successful completion you will be able to:
- Describe the environment in which financial decision making takes place
- Demonstrate and apply the first principles of the time value of money to real life type problems
- Extend the principles of time value of money to the valuation of shares and bonds
- Explain the risk and return trade-off
- Demonstrate and apply the principles of investment decisions
- Describe essential issues in long term financial policy
Delivery and Resources

Classes

This unit is structured around attendance at one 3 hour class per week.

You MUST attend only the class in which you are registered. In the event that you have to attend an alternative class for a particular week, you are required to notify the lecturer.

Class attendance is highly recommended. An attendance record will be kept by your lecturer.

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

Required and Recommended Texts and/or Materials Prescribed

Required Text:


Other prescribed materials:

A calculator will be required for this unit. More detail will be provided in Week 1.

Recommended reference texts:

Current editions of:

Tannous, Brown, Kopp, Zima, "Mathematics of Finance"


Brealey, Myers, Marcus, “Fundamentals of Corporate Finance”, McGraw-Hill

Required and recommended reference texts can be purchased from the Macquarie University Co-op Bookshop.

A copy of the required text can be found in the library closed reserve section.

Unit Web Page

Log in via https://ilearn.mq.edu.au.

The unit website will contain important materials, including:

- Course details—An outline of the unit, including assessment tasks
- Announcements—notices updating students on important matters regarding the unit, including assessment tasks
- Group assignment
- Suggested answers and solutions to homework questions
Students will need to input the following URL to access textbook material: http://connect.mcgraw-hill.com/class/mq_afin858_s2_2013

After entering the above URL, students should go to the AFIN858 Macquarie University website for powerpoint slides which have step-by-step instructions on how to gain first-time electronic access to the AFIN 858 Connect Finance textbook material which includes:

- PowerPoint presentations
- Videos from the McGraw-Hill Finance library
- Interactive Fin Sims (financial simulations)
- Additional case studies and articles to support the text
- Web exercises (available under the drop-down menus for students)

**Teaching and Learning Activities**

The unit is structured around a 3 hour class each week. Most weeks this will consist of a lecture combined with some practical work, along with student presentations. Lectures will provide students with the main concepts and techniques and homework provides the opportunity to apply the concepts to problems and exercises. The textbook provides many questions and extra detail which lectures may not cover and it is expected that students will cover this material in their own time as it is examinable. Week 13 includes a brief overview of topics and an exam “overview”.

Active participation in class is not only encouraged but expected of each student. This helps clarify your ideas, understanding and problem areas with the material, as well as enhancing your communication skills.

**Homework:**

ALL homework will not be specifically covered in class. A selection of Discussion Questions set for homework will be discussed in class every week. The solutions to these questions will not be given and will only be available in class time. These discussions will be student led so expect to come well prepared to actively engage in meaningful and relevant discussion about these questions. Students will be chosen at random to lead the discussion. The remaining homework questions will have answers available for students to go through themselves. It is recommended students have a thorough understanding of the homework, as this covers first principles and is essential in understanding more complex concepts and techniques. To this end, some time will be set aside each week to handle any queries, problems etc arising from the homework material related to the previous week’s lecture. Obviously, most benefit will be gained from these sessions if you have attempted the homework beforehand and identified any problems.

Apart from the Discussion Questions, answers to homework questions will be available from the unit webpage every Friday.

**Lecture:**
Lecture slides MUST be downloaded and brought to each class. These are available through the textbook website.

Students should read the prescribed chapter in the textbook **prior** to attending each class in order to gain maximum benefit from class attendance.

**Changes since the Last Offering Of This Unit**

An assessable online task has been incorporated into this semester.

**Ways to enhance your chance of success in this unit:**

During 2007 the Master of Accounting program engaged in a significant research project that was designed to investigate and find ways to enhance student participation in the classroom.

**Students** interviewed stated that participating in classroom discussions, answering lecturer’s questions and engaging in meaningful and relevant discussion with one’s peers and as prompted by the lecturer:

1. assists in retaining information and maintaining interest and concentration
2. allows clarification or checking understanding
3. provides opportunities to enhance and reinforce knowledge and learn from one’s peers /other students
4. improves English proficiency
5. supports development of communication skills
6. develops skills needed in professional practice

**Lecturers** expect students to participate in class as it:

1. provides opportunities to review or clarify lecture content and benefit from the experience of other students
2. assists in thinking about concepts and testing whether understanding is correct
3. develops confidence in speaking
4. provides opportunities to think in an alternative way

The research concluded that the benefits of in-class participation include:

- enhancing the learning experience to improve outcomes
- meeting lecturers’ expectations of students
- helping to increase communication skills.

This unit expects ALL students to participate in classroom discussions and activities and engage with the unit material.

**Unit Schedule**
<table>
<thead>
<tr>
<th>Semester Week</th>
<th>Week Beginning</th>
<th>Topic</th>
<th>Chapter Reference</th>
<th>Homework Due in class following week’s lecture</th>
<th>Homework Due in class following week’s lecture</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>29 July</td>
<td>TOPIC 1: Introduction to Corporate Finance, Financial Statements, Cash Flows and Taxes</td>
<td>Ch 1, omit 1.7 Ch 2</td>
<td>Discussion Questions# CQ 1.4 CQ 1.5 CQ 2.1</td>
<td>1.3 2.2 2.6 2.12 2.17 2.23</td>
</tr>
<tr>
<td>2</td>
<td>5 August</td>
<td>TOPIC 2: Financial Analysis and Planning</td>
<td>Ch 3 &amp; 4</td>
<td>CQ 3.2 CQ 3.1 CQ 4.3 4.13</td>
<td>3.5 3.10 3.18 - 3.22 3.23 4.4 4.6 4.7 4.25 4.31 4.32 4.33</td>
</tr>
<tr>
<td>3</td>
<td>12 August</td>
<td>TOPIC 3: Time Value of Money</td>
<td>Ch 5</td>
<td>CQ 5.1 CQ 5.6 CQ 5.7 5.23</td>
<td>5.1 5.5 5.8 5.11 5.20 5.25 5.27 5.28 5.34 5.39 5.44 5.45 5.46 5.47 5.49 5.51 5.52 5.5 5.52 Minicase</td>
</tr>
<tr>
<td>4</td>
<td>19 August</td>
<td>TOPIC 4: Bond and Share Valuation</td>
<td>Ch 6</td>
<td>CQ 6.1 CQ 6.2 6.6 6.8</td>
<td>6.5 6.8 6.11 6.13 6.18 6.21 6.26 6.27 6.30 6.31 6.34 Minicase</td>
</tr>
<tr>
<td>Week</td>
<td>Date</td>
<td>Topic</td>
<td>Chapters</td>
<td>Assignment</td>
<td>Notes</td>
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<tr>
<td>5</td>
<td>26 August</td>
<td>TOPIC 5 (PART 1) : Risk and Return (including Capital market Efficiency)</td>
<td>Ch 10</td>
<td>CQ 10.4 a,b, CQ 10.4 c,d, CQ 10.6, 10.17, 10.20</td>
<td>10.8 10.9 10.11 10.13 10.16 10.18 10.22</td>
</tr>
<tr>
<td>6</td>
<td>2 September</td>
<td>TOPIC 5 (PART 2) Risk and Return</td>
<td>Ch 11</td>
<td>CQ 11.1, CQ 11.6, CQ 11.10 11.4</td>
<td>11.6 11.7 11.9** 11.11 11.15 11.16 11.20 11.25 11.27 11.28 11.31</td>
</tr>
<tr>
<td>7</td>
<td>9 September</td>
<td>TOPIC 6: Financial Markets and Instruments</td>
<td>Ch 14, omit 14.4, Ch 15, omit 15.4, omit Derivative debt products on page 515 to 516, Ch 16, only 16.1, 16.5, 16.7</td>
<td>CQ14.2 14.4, CQ 15.5, CQ 16.4</td>
<td>14.2 14.3 14.7 14.8 14.14 15.3 15.6 15.10 16.2 16.14</td>
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<tr>
<td></td>
<td>16-29 September</td>
<td>MID SEMESTER BREAK</td>
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<tr>
<td>8</td>
<td>30 September</td>
<td>TOPIC 7: Investment Criteria</td>
<td>Ch 7</td>
<td>CQ 7.3, CQ 7.5, CQ 7.7 7.8</td>
<td>7.4 7.10 7.13 7.18 7.19 7.20 7.26 7.30 7.31 Minicase</td>
</tr>
<tr>
<td>Topic</td>
<td>Date</td>
<td>Chapter</td>
<td>Discussion Questions</td>
<td>Notes</td>
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<tr>
<td>9</td>
<td>7* October</td>
<td>TOPIC 8: Investment Decisions</td>
<td>Ch 8 (omit page 263 to 264 “Setting the Option Value”</td>
<td>CQ 8.2, CQ 8.4, CQ 8.5, CQ 8.9, 8.6, 8.7, 8.10, 8.12, 8.13, 8.14, 8.17, 8.19, 8.20, 8.22, Minicase</td>
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<tr>
<td>11</td>
<td>21 October</td>
<td>TOPIC 10: Cost of Capital</td>
<td>Ch 17</td>
<td>CQ 17.1, CQ 17.2, CQ 17.5, CQ 17.9</td>
<td>17.5, 17.10, 17.12, 17.17, 17.18, 17.19, 17.20, 17.21, 17.23</td>
</tr>
<tr>
<td>13</td>
<td>4 November</td>
<td>TOPIC 12: Dividend Policy and revision</td>
<td>Ch 18</td>
<td>CQ 18.3, CQ 18.5, CQ 18.7</td>
<td>18.8, 18.9, 18.12, 18.21, 18.26</td>
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<tr>
<td></td>
<td>11 November onwards</td>
<td>FINAL EXAM PERIOD</td>
<td></td>
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</tbody>
</table>

# Discussion Questions include Concept Questions (CQ) from within the body of the chapter. For example, CQ 1.4 refers to the 4 Concept Questions on page 16 of the text.

** amendments to parts d & e on unit webpage

*Monday 7 October is a public holiday – alternative/substitute class locations to be advised on iLearn.*

https://unitguides.mq.edu.au/unit_offerings/39282/unit_guide/print
Policies and Procedures

Macquarie University policies and procedures are accessible from Policy Central. Students should be aware of the following policies in particular with regard to Learning and Teaching:


In addition, a number of other policies can be found in the Learning and Teaching Category of Policy Central.

Supplementary exams will be held from 10th to 13th December 2013. Further information is available at [http://www.businessandeconomics.mq.edu.au/current_students/undergraduate/how_do_i/special_consideration](http://www.businessandeconomics.mq.edu.au/current_students/undergraduate/how_do_i/special_consideration).

Student Support

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at: [http://students.mq.edu.au/support/](http://students.mq.edu.au/support/)

UniWISE provides:

- Online learning resources and academic skills workshops [http://www.students.mq.edu.au/support/learning_skills/](http://www.students.mq.edu.au/support/learning_skills/)
- Personal assistance with your learning & study related questions.
- The Learning Help Desk is located in the Library foyer (level 2).
- Online and on-campus orientation events run by Mentors@Macquarie.

Student Enquiry Service

Details of these services can be accessed at [http://www.student.mq.edu.au/ses/](http://www.student.mq.edu.au/ses/).

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

If you wish to receive IT help, we would be glad to assist you at [http://informatics.mq.edu.au/help](http://informatics.mq.edu.au/help).
When using the university's IT, you must adhere to the Acceptable Use Policy. The policy applies to all who connect to the MQ network including students and it outlines what can be done.

Graduate Capabilities

PG - Discipline Knowledge and Skills
Our postgraduates will be able to demonstrate a significantly enhanced depth and breadth of knowledge, scholarly understanding, and specific subject content knowledge in their chosen fields.

This graduate capability is supported by:

Learning outcomes

- Describe the environment in which financial decision making takes place
- Demonstrate and apply the first principles of the time value of money to real life type problems
- Extend the principles of time value of money to the valuation of shares and bonds
- Explain the risk and return trade-off
- Demonstrate and apply the principles of investment decisions
- Describe essential issues in long term financial policy

Assessment tasks

- 1. On-Line Quizzes
- 2. Class Test
- 3. Group Assignment
- 4. Final Examination

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

- Describe the environment in which financial decision making takes place
- Extend the principles of time value of money to the valuation of shares and bonds
- Explain the risk and return trade-off
• Demonstrate and apply the principles of investment decisions
• Describe essential issues in long term financial policy

Assessment tasks

• 1. On-Line Quizzes
• 2. Class Test
• 3. Group Assignment
• 4. Final Examination

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

• Describe the environment in which financial decision making takes place
• Extend the principles of time value of money to the valuation of shares and bonds
• Explain the risk and return trade-off
• Describe essential issues in long term financial policy

Assessment tasks

• 2. Class Test
• 3. Group Assignment
• 4. Final Examination

Research and Practice

This unit contains a research-based written assignment worth 15% of the overall assessment. Students will need to read professional finance journals, business sections in newspapers and the financial press to synthesise information in developing their own arguments. There is also an opportunity to review other sources of information, in doing research. The on-line databases section of the MQ library, both Business Source Premier and Factiva, to mention two, are very useful resource tools.

Changes since First Published

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>25/07/2013</td>
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