AFIN100

Introduction to Finance

S1 Day 2015

Dept of Applied Finance and Actuarial Studies

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Disclaimer

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General Information

Unit convenor and teaching staff
Unit coordinator
Keith Woodward
keith.woodward@mq.edu.au

Mehdi Sadeghi
mehdi.sadeghi@mq.edu.au

Credit points
3

Prerequisites
Corequisites

Co-badged status

Unit description
This unit applies financial theory to real world decision-making and lays the conceptual and mathematical framework for the more specialised finance units. It is also an interesting unit for students not planning to undertake further studies in finance since it ties concepts from accounting and economics together in a logical and useful way. Decisions on home buying versus renting, new versus second hand car purchases, and other real-world personal and business financial decisions are discussed. Financial jargon will be discussed with the aim of interpreting news articles in the press. Market data and financial models will be used to infer the market's forecast of prices and yields. A number of topics from ACST101 are covered in this course, but here they're explored in greater detail. It is highly recommended to complete ACST101 before or at the same time as this unit. A background of HSC Mathematics or equivalent numerical competency is assumed. Students who have not studied the necessary mathematics are advised to complete MATH123 before enrolling.

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

1. Understand how to value equity, debt and business projects using discounted cash flow and multiples techniques.
2. Understand how financial concepts are expressed in mathematical formulas.
3. Apply financial theory to real world corporate and personal financial decisions.
4. Confidently read and discuss financial publications.

**General Assessment Information**

**Consultation:** Teacher consultation times will be posted to iLearn.

**Questions:** Subject-related questions whose answer is useful to everyone should be posted to the iLearn discussion board. Questions of a personal nature can be sent to the email address afin100@mq.edu.au. The discussion board and afin100@mq.edu.au email are regularly checked and can be dealt with by the teacher most able to help.

**Extensions:** No extensions will be granted to your assessments. Late tasks will be accepted up to 72 hours after the submission deadline. There will be a deduction of 20% 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 – 40% penalty). This penalty does not apply for cases in which an application for special consideration is made and approved.

**Marks in gradebook:** 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.

**Assessment Tasks**

<table>
<thead>
<tr>
<th>Name</th>
<th>Weighting</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week 4 class test</td>
<td>5%</td>
<td>Week 4</td>
</tr>
<tr>
<td>Mid semester class test</td>
<td>20%</td>
<td>Week 6</td>
</tr>
<tr>
<td>Group assignment</td>
<td>25%</td>
<td>Week 10</td>
</tr>
<tr>
<td>Final Exam</td>
<td>50%</td>
<td>See Exam Timetable</td>
</tr>
</tbody>
</table>

**Week 4 class test**

**Due:** Week 4

**Weighting:** 5%

This test will be held during tutorials.

This Assessment Task relates to the following Learning Outcomes:

- Understand how to value equity, debt and business projects using discounted cash flow and multiples techniques.
- Understand how financial concepts are expressed in mathematical formulas.
Confidently read and discuss financial publications.

**Mid semester class test**

Due: **Week 6**  
Weighting: **20%**  
This test will be held during lectures.

This Assessment Task relates to the following Learning Outcomes:

- Understand how to value equity, debt and business projects using discounted cash flow and multiples techniques.
- Understand how financial concepts are expressed in mathematical formulas.
- Apply financial theory to real world corporate and personal financial decisions.
- Confidently read and discuss financial publications.

**Group assignment**

Due: **Week 10**  
Weighting: **25%**  
The assignment topic will be announced during the course of the semester. Groups may contain 2 to 4 members, but no more. The assignment should be submitted in paper form to BESS by Wednesday 13/5/15 at 3pm. An electronic copy should also be emailed to afin100@mq.edu.au. Both methods must be done.

This Assessment Task relates to the following Learning Outcomes:

- Understand how to value equity, debt and business projects using discounted cash flow and multiples techniques.
- Understand how financial concepts are expressed in mathematical formulas.
- Apply financial theory to real world corporate and personal financial decisions.
- Confidently read and discuss financial publications.

**Final Exam**

Due: **See Exam Timetable**  
Weighting: **50%**  
The exam will be based on the entire course.

This Assessment Task relates to the following Learning Outcomes:

- Understand how to value equity, debt and business projects using discounted cash flow and multiples techniques.
- Understand how financial concepts are expressed in mathematical formulas.
• Apply financial theory to real world corporate and personal financial decisions.
• Confidently read and discuss financial publications.

Delivery and Resources
Course materials are available on ilearn including lecture notes, tutorial questions, answers and readings.

Many questions will be sourced from the free web site fight finance which you are encouraged to try.

For students who are looking for another learning resource, the following textbook is recommended but not compulsory:


Unit Schedule

<table>
<thead>
<tr>
<th>Week</th>
<th>Date (Monday)</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>23.2.15</td>
<td>Investable assets, effective returns and financial statement analysis.</td>
</tr>
<tr>
<td>2</td>
<td>2.3.15</td>
<td>Perpetuity and annuity formulas, NPV and IRR.</td>
</tr>
<tr>
<td>3</td>
<td>9.3.15</td>
<td>Debt valuation, APR's and equity valuation using DCF and multiples.</td>
</tr>
<tr>
<td>4</td>
<td>16.3.15</td>
<td>Cash flows and unlevered business project valuation. Tutorial test (5%).</td>
</tr>
<tr>
<td>5</td>
<td>23.3.15</td>
<td>Cost of capital, interest tax shields and levered business project valuation.</td>
</tr>
<tr>
<td>6</td>
<td>30.3.15</td>
<td>Mid semester test (20%).</td>
</tr>
<tr>
<td>7</td>
<td>20.4.15</td>
<td>Utility, return, risk and diversification.</td>
</tr>
<tr>
<td>8</td>
<td>27.4.15</td>
<td>Capital asset pricing model.</td>
</tr>
<tr>
<td>9</td>
<td>4.5.15</td>
<td>Market efficiency and trading.</td>
</tr>
<tr>
<td>10</td>
<td>11.5.15</td>
<td>Capital raising and payout policy. Group assignment (25%).</td>
</tr>
<tr>
<td>11</td>
<td>18.5.15</td>
<td>Derivatives and foreign currency.</td>
</tr>
<tr>
<td>12</td>
<td>25.5.15</td>
<td>Yield curves and returns.</td>
</tr>
<tr>
<td>13</td>
<td>1.6.15</td>
<td>Revision.</td>
</tr>
</tbody>
</table>

Tutorial questions will be made available on ilearn.
Learning and Teaching Activities

Lectures and Tutorials
The unit is delivered through weekly lectures and tutorial classes. Tutorial questions will be posted to iLearn. Students should complete tutorial questions in advance since teachers will progress at the rate preferred by those students who have attempted the work. Teachers welcome questions and enjoy discussions of the concepts. Answers to the tutorial questions will be posted on iLearn after each week.

Expectation from Students
To achieve the best possible results in this unit: Try not to miss a lecture or tutorial class. This subject moves very fast and each week builds on the one before. Do as many practice questions as possible. Bring the lecture notes and tutorial questions to class and raise questions with your teachers. Talk about the topics with your friends and relatives. Many people enjoy friendly discussions about property, shares, leverage, taxes and interest rates.

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:


The Disruption to Studies Policy is effective from March 3 2014 and replaces the Special Consideration Policy.

In addition, a number of other policies can be found in the Learning and Teaching Category of 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/support/student_conduct/](https://students.mq.edu.au/support/student_conduct/)

Results
Results shown in iLearn, 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.

Supplementary Exams

https://unitguides.mq.edu.au/unit_offerings/51586/unit_guide/print
Further information regarding supplementary exams, including dates, is available here:

http://www.businessandeconomics.mq.edu.au/current_students/undergraduate/how_do_i/specific_consideration

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 Enquiry Service

For all student enquiries, visit Student Connect at ask.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://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.

Graduate Capabilities

Problem Solving and Research Capability

Our graduates should be capable of researching; of analysing, and interpreting and assessing data and information in various forms; of drawing connections across fields of knowledge; and they should be able to relate their knowledge to complex situations at work or in the world, in order to diagnose and solve problems. We want them to have the confidence to take the initiative in doing so, within an awareness of their own limitations.

This graduate capability is supported by:

Learning outcomes

- Understand how to value equity, debt and business projects using discounted cash flow
Understanding how financial concepts are expressed in mathematical formulas.

- Apply financial theory to real world corporate and personal financial decisions.
- Confidently read and discuss financial publications.

**Assessment tasks**

- Week 4 class test
- Mid semester class test
- Group assignment
- Final Exam

**Learning and teaching activities**

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**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**

- Understand how to value equity, debt and business projects using discounted cash flow and multiples techniques.
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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

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Assessment tasks

• Week 4 class test
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Changes from Previous Offering

Some slight revisions were made to the topics and learning resources since the subject's first offering last semester.