AFIN708
Corporate Finance
S1 Day 2016
Dept of Applied Finance and Actuarial Studies

Contents

General Information .................................................. 2
Learning Outcomes .................................................. 3
General Assessment Information .............................. 3
Assessment Tasks .................................................. 3
Delivery and Resources .......................................... 6
Unit Schedule ....................................................... 7
Policies and Procedures ........................................ 8
Graduate Capabilities ........................................... 10
Research and Practice ........................................... 11

Disclaimer
Macquarie University has taken all reasonable measures to ensure the information in this publication is accurate and up-to-date. However, the information may change or become out-of-date as a result of change in University policies, procedures or rules. The University reserves the right to make changes to any information in this publication without notice. Users of this publication are advised to check the website version of this publication [or the relevant faculty or department] before acting on any information in this publication.
### General Information

<table>
<thead>
<tr>
<th>Unit convenor and teaching staff</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lecturer</strong></td>
<td>Peter Kavalamthara</td>
</tr>
<tr>
<td></td>
<td><a href="mailto:peter.kavalamthara@mq.edu.au">peter.kavalamthara@mq.edu.au</a></td>
</tr>
<tr>
<td><strong>Contact via</strong></td>
<td><a href="mailto:peter.kavalamthara@mq.edu.au">peter.kavalamthara@mq.edu.au</a></td>
</tr>
<tr>
<td><strong>By appointment via email</strong></td>
<td></td>
</tr>
</tbody>
</table>

| **Unit Convenor**                | Narelle Gordon |
|                                  | narelle.gordon@mq.edu.au |
| **Contact via**                  | narelle.gordon@mq.edu.au |
| **E4A 752**                      |  |
| **By appointment via email**     |  |

| Credit points | 4 |

<table>
<thead>
<tr>
<th>Prerequisites</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Admission to MRes</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corequisites</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Co-badged status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Co-badged with AFIN808.</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unit description</th>
</tr>
</thead>
<tbody>
<tr>
<td>The objective of this unit is to explore the theory and application of corporate finance issues at an advanced level, and to equip students with the required depth of knowledge and skill expected of a professional. Following a brief revision of basic financial concepts covered in earlier finance courses, the unit investigates the more complicated theoretical issues and analytical techniques in corporate finance. In particular, a critical approach is adopted which involves identifying the assumptions and limitations of these techniques when applied to the real world. Students are encouraged to understand that often the best method is a matter of debate, and that they must choose a method from a group of methods all of which have various limitations. This critical approach is reinforced by examining a number of real life corporate finance projects.</td>
</tr>
</tbody>
</table>

### 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

1. To apply investment and financing concepts to take decisions in business
2. To evaluate project risks and financial viability of projects
3. To evaluate cost of capital of firms using alternative theories of risk-return relationships
4. To develop research skills in current topics in corporate finance
5. To apply options methodology to value business opportunities and firms.
6. To assess financial soundness of leasing proposals and corporate acquisitions

General Assessment Information

Grading Policy: assessment in this unit is informed by the MQ Grading Policy.

Standardised Numerical Grade (SNG): a Standardised Numerical Grade (SNG) gives you an indication of how you have performed within the band for your descriptive grade. The SNG is not a mark, and you may not be able to work it out based on your raw examination and other assessment marks. Nor are you able to determine you are “one mark away” from a different grade.

Rubric: the Essay will be assessed against criterion and performance standards set out in a marking Rubric, which will be provided to students on the iLearn.

Pass Requirement: to be eligible to pass this unit, a pass is required in the final examination.

Disruption to Study: if your disruption to study is deemed ‘Serious and Unavoidable’, and thus meets the criteria for Special Consideration set out in the Disruption to Studies Policy, you will receive an additional opportunity to demonstrate that you have met the learning outcomes for this assessment task. Otherwise, there will be no provision of an additional assessment task. For information, including results of disruption e.g. preparation affected' or 'examination performance affected', please refer to the Disruption to Studies Policy Outcomes and Supporting Evidence.

Viewing Within Session Assessment Task Marks: it is the responsibility of students to view their marks for each within session assessment on iLearn within 20 working 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 release of final results regarding assessment marks (not including the final exam) will not be addressed.

Assessment Tasks

<table>
<thead>
<tr>
<th>Name</th>
<th>Weighting</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Essay</td>
<td>15%</td>
<td>20 May 2016 5pm</td>
</tr>
<tr>
<td>Assessed Coursework</td>
<td>10%</td>
<td>Random weeks</td>
</tr>
</tbody>
</table>
### Essay

**Due:** 20 May 2016 5pm  
**Weighting:** 15%

This is an individual assignment. Students will be asked to select one topic for research from a set of prescribed topics. Based on detailed literature review, the students will prepare an essay. The word limit is 2500 words excluding table of contents and bibliography. The essay will be submitted through Turnitin before the due date. It will be graded based on logical development of content and arguments, effective use of research evidence, clear conclusions, clarity in writing and appropriate citations and references.

Students who have not submitted the task prior to the deadline will incur a deduction of 10% for every 24-hour period late, except for cases in which an application for special consideration is made and approved. For example, for a submission that is 1 hour late, 1.5 marks will be deducted.

This Assessment Task relates to the following Learning Outcomes:

- To develop research skills in current topics in corporate finance

### Assessed Coursework

**Due:** Random weeks  
**Weighting:** 10%

Each collection is worth a maximum of 5%. There will be two random collections during the semester. To get full marks students need to add some insight to the standard solution. Students who copy the text-book solution word for word will receive 0 marks.

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

This Assessment Task relates to the following Learning Outcomes:

- To apply investment and financing concepts to take decisions in business
- To evaluate project risks and financial viability of projects
- To evaluate cost of capital of firms using alternative theories of risk-return relationships
- To apply options methodology to value business opportunities and firms.
- To assess financial soundness of leasing proposals and corporate acquisitions
Class Test

Due: Week 7  
Weighting: 20%

The 60-minute "closed book" in-class test will be conducted in the week 7 class. Please present yourself at the enrolled time and place of your lecture. The test will contain both theoretical and calculation questions in the multiple choice format and it will help you to monitor your progress in accomplishing learning outcomes 1, 2 and 3. If you are unable to attend the test and your special consideration request is approved, a supplementary assessment task will be offered. The supplementary task may involve a verbal or written component, or both.

This Assessment Task relates to the following Learning Outcomes:
- To apply investment and financing concepts to take decisions in business
- To evaluate project risks and financial viability of projects
- To evaluate cost of capital of firms using alternative theories of risk-return relationships

Final Exam

Due: See Exam Timetable  
Weighting: 55%

The content of the "closed book" final exam will give greater weight to topics covered later in the course (that is, topics not covered by the class test). Total time available will be 120 minutes plus 10 minutes of ‘reading’ time.

Please note that to be eligible to pass this unit, a pass is required in the final examination.

In addition, make sure to read the current Final Examination Policy and Final Examination Procedure.

This Assessment Task relates to the following Learning Outcomes:
- To apply investment and financing concepts to take decisions in business
- To evaluate project risks and financial viability of projects
- To evaluate cost of capital of firms using alternative theories of risk-return relationships
- To develop research skills in current topics in corporate finance
- To apply options methodology to value business opportunities and firms.
- To assess financial soundness of leasing proposals and corporate acquisitions
Delivery and Resources

CLASSES
The Unit involves 3 hours face-to-face teaching per week consisting of a 3 hour seminar. There will be thirteen lectures. The timetable for classes can be found on the University website at:

http://www.timetables.mq.edu.au/

Attendance at seminars is an compulsory component of the Unit, and students are expected to attend all classes. If a student misses more than 2 classes then they could be given a written warning that non-attendance can lead to a Fail grade. Further absence at classes can trigger a recommendation of a Fail grade in the Unit.

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS
Prescribed
ISBN:9780077861759

The prescribed text can be purchased from the Macquarie University Co-op Bookshop.

AFIN808-iLearn:
The unit Website is only available to students enrolled in AFIN808 and AFIN708. Students will be able to access the unit web page by the use of their normal university user/password details. Please contact the IT Help Desk if you have any difficulties accessing the unit web page:

Phone:(02)9850HELP(4357) Option1 or Freecall:1800063191
FacetoFace: ITHelpDesk, C5C244
24/7Email: help@mq.edu.au

The Website will contain important unit materials, including:
• Course details — An outline of the unit, including assessment tasks
• Announcements—notices updating students on important matters regarding the unit.
• Assignment
• Suggested answers and solutions to homework questions
• Results — for assignment and other assessable material.

LEARNING AND TEACHING ACTIVITIES
This is meant to be a 2nd unit in corporate finance. Most students will have completed an introductory financial management / corporate finance unit. As a more advanced unit, some of the topics covered will be familiar to students but we will be covering them at a more in - depth level. Some other topics will be completely new. As in the introductory unit, students need to work through the quantitative and other problems which are selected each week from the text.
However, an important objective of this unit is to make the student aware of the limitations of financial theory and of the assumptions made in making finance and investment decisions.

**TECHNOLOGY USED AND REQUIRED**

The textbook provides access to various on-line resources. Further, a number of the class exercises are designed to be completed using Excel. Students are encouraged to use Excel when attempting these exercises.

**CHANGES TO THE UNIT SINCE LAST SEMESTER**

There are no major changes to the topics or the textbook although a new edition of the text is prescribed.

**Unit Schedule**

<table>
<thead>
<tr>
<th>Week</th>
<th>Friday date</th>
<th>Topics</th>
<th>Ross et al. Chapters</th>
<th>Problems</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mar 04</td>
<td>TOPIC 1- Overview of corporate finance and valuation</td>
<td>1, 4, 5</td>
<td>See iLearn</td>
</tr>
<tr>
<td>2</td>
<td>Mar 11</td>
<td>TOPIC 2- Project evaluation and project risk analysis</td>
<td>6, 7 (not sec. 7.3)</td>
<td>6-10, 12, 18, 19, 26; 7-7, 10, 12, 21, 26..</td>
</tr>
<tr>
<td>3</td>
<td>Mar 18</td>
<td>TOPIC 3- Alternative theories on risk and return</td>
<td>11, 12</td>
<td>11-18, 19, 26; 12-2, 5, 9 &amp; others see iLearn</td>
</tr>
<tr>
<td></td>
<td>Mar 25</td>
<td>NO LECTURE Friday 25th March (Public Holiday)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>A make-up lecture will occur Sat 2nd April.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4/5</td>
<td>Apr 01</td>
<td>TOPIC 4- Capital structure and limits to use of debt</td>
<td>16, 17</td>
<td>16-C2, C4, 8, 21, 24, 25; 17-1, 6, 8 &amp; others see iLearn</td>
</tr>
<tr>
<td>4/5</td>
<td>Saturday Apr 02</td>
<td>TOPIC 5- Valuation and capital budgeting for levered firm</td>
<td>18</td>
<td>18-1, 2, 3, 4, 5, 15, 18</td>
</tr>
<tr>
<td>6</td>
<td>Apr 08</td>
<td>TOPIC 6 - Raising capital and dividend policy</td>
<td>19, 20</td>
<td>19-C13, 5, 6, 10; 20-2, 14, 15 &amp; others see iLearn</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MID-SEMESTER BREAK (11 Apr to 22 Apr)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Apr 29</td>
<td>IN-CLASS TEST (week 7)</td>
<td>29.13; BMA* 32</td>
<td>see iLearn</td>
</tr>
<tr>
<td></td>
<td></td>
<td>TOPIC 7 - Private equity and corporate restructuring.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
8 May 06 TOPIC 8 - Convertible bonds, warrants and lease finance 21, 24 24-C1,C3,4,9,11,12(mod); 21-C2,1,9,14,15 & others see iLearn

9 May 13 TOPIC 9 - Corporate finance applications of options - I II 22 22-C4, C15, 4,6,13,16,21 & others see iLearn.

10 May 20 TOPIC 10 - Corporate finance applications of options - II 23 and JP Ch. 22** 23-C7,C10,4,5,7; JP Ch. 22*-13,15,16,22; BMA* Ch22-16(mod), 17.

11 May 27 TOPIC 11 - Mergers, acquisitions and divestitures 29 29-C8,C9,5,6 & others see iLearn.

12 Jun 03 TOPIC 12 - Project & Infrastructure Financing Reading on the iLearn TBA

13 Jun 10 Revision

* BMA Ch. 32 - Brealey, Myers and Allen (2014), Principles of Corporate Finance, 11e, McGraw-Hill Irwin.


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:

Academic Honesty Policy http://mq.edu.au/policy/docs/academic_honesty/policy.html


Disruption to Studies Policy http://www.mq.edu.au/policy/docs/disruption_studies/policy.html 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/

**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**

Further information regarding supplementary exams, including dates, is available here http://www.businessandeconomics.mq.edu.au/current_students/undergraduate/how_do_i/special_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://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.

https://unitguides.mq.edu.au/unit_offerings/68092/unit_guide/print
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**

- To apply investment and financing concepts to take decisions in business
- To evaluate project risks and financial viability of projects
- To evaluate cost of capital of firms using alternative theories of risk-return relationships
- To develop research skills in current topics in corporate finance
- To apply options methodology to value business opportunities and firms.
- To assess financial soundness of leasing proposals and corporate acquisitions

**Assessment tasks**

- Essay
- Assessed Coursework
- Class Test
- Final Exam

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**

- To apply investment and financing concepts to take decisions in business
- To evaluate project risks and financial viability of projects
- To evaluate cost of capital of firms using alternative theories of risk-return relationships
- To develop research skills in current topics in corporate finance
- To apply options methodology to value business opportunities and firms.
- To assess financial soundness of leasing proposals and corporate acquisitions
Assessment tasks

- Essay
- Assessed Coursework
- Class Test
- Final Exam

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 outcome

- To develop research skills in current topics in corporate finance

Assessment task

- Essay

Research and Practice

Research and Practice

- This unit uses research from external sources (references)
- This unit gives you practice in applying research findings in your assessments.
- This unit gives you an opportunity to learn software used in industry.

There is a close relationship between theory and practice in corporate finance. Every day the media is filled with events relevant to corporate finance. Students should constantly be looking for examples of the theory from a topic, as reflected in a media story.