



# MGNT808

## Financial Markets and Valuation

Term 3 North Ryde 2018

*MGSM Degree Programs*

### Contents

<u>General Information</u>	2
<u>Learning Outcomes</u>	2
<u>Assessment Tasks</u>	3
<u>Delivery and Resources</u>	4
<u>Unit Schedule</u>	4
<u>Policies and Procedures</u>	6
<u>Graduate Capabilities</u>	7
<u>Changes from Previous Offering</u>	10
<u>Alignment with MGSM's mission-driven attributes</u>	10
<u>Attendance Policy (MGSM)</u>	10
<u>Content Disclaimer</u>	10

#### **Disclaimer**

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## General Information

Unit convenor and teaching staff

Associate Professor

Vito Mollica

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North Ryde campus

Weekly class - Thursdays 6pm - 10pm (Starts: 28th June 2018)

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Credit points

4

Prerequisites

MGNT803

Corequisites

Co-badged status

Unit description

Principles of corporate finance are introduced namely valuation and pricing of assets, evaluation of investment proposals and financial policy. Company projects and financial planning models are used to provide context. The unit covers methods used in evaluating investment projects and an introduction is given to the local debt and equity markets.

## 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:

Analyse the key features of local debt and equity markets and discuss how these features may influence investment and valuation decision making.

Outline and apply a process, based on integrated theories and frameworks, to value an enterprise or business unit.

Critique a given valuation of a business unit or enterprise, based on an application of the valuation process, identifying areas where varying interpretations of value may be

reasonably applied.

Apply finance theory, frameworks and methods to identify and justify evidence based strategic investment, financing and capital budgeting decisions.

Critically consider the implications of a firm's finance and investment decisions/strategies for the full spectrum of stakeholders, in view of the firm's social, ethical and environmental responsibilities.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<u>Mid-term Test</u>	40%	No	Week 6
<u>Final Examination</u>	60%	No	Exam Week (3-8 September 2018)

### Mid-term Test

Due: **Week 6**

Weighting: **40%**

90-minute in class exam. Open book. You will need to be familiar with all materials covered in earlier classes and readings.

On successful completion you will be able to:

- Analyse the key features of local debt and equity markets and discuss how these features may influence investment and valuation decision making.
- Apply finance theory, frameworks and methods to identify and justify evidence based strategic investment, financing and capital budgeting decisions.

### Final Examination

Due: **Exam Week (3-8 September 2018)**

Weighting: **60%**

The final examination is of three (3) hours and ten (10) minutes reading time and will be held in the Term 3 Exam Week. More details on the exam will be provided in class.

The exam format will be closed book. The only aids permitted are

1. A hand-held calculator (programmable or scientific), and
2. One (1) double-sided A4 piece of paper containing any information

More details on the exam will be provided in class.

On successful completion you will be able to:

- Analyse the key features of local debt and equity markets and discuss how these features may influence investment and valuation decision making.
- Outline and apply a process, based on integrated theories and frameworks, to value an enterprise or business unit.
- Critique a given valuation of a business unit or enterprise, based on an application of the valuation process, identifying areas where varying interpretations of value may be reasonably applied.
- Apply finance theory, frameworks and methods to identify and justify evidence based strategic investment, financing and capital budgeting decisions.
- Critically consider the implications of a firm's finance and investment decisions/strategies for the full spectrum of stakeholders, in view of the firm's social, ethical and environmental responsibilities.

## Delivery and Resources

### Required Text

Berk, J., Ford, G., DeMarzo, P., Harford, J., Finch, N. & Mollica, V. (2017) Fundamentals of Corporate Finance, 3rd edition, Pearson, ISBN: 9781488611001

Additional required readings will be available via iLearn

Weekly practice problems and answers will be made available via iLearn.

For information on textbook prices and online ordering, please refer to the Co-Op Bookshop webpage at <http://www.coop.com.au>

The web page for this unit can be found at: <https://ilearn.mq.edu.au/login/MGSM>

The timetable for classes can be found on the MGSM Student website at <https://students.mgsm.edu.au/sydney-students/units/timetables>

## Unit Schedule

Please note that the program is listed in order of the topics to be covered, and not lecture time-slots. Consequently, some topics may run over the class period, whereas others will be shorter than the class period.

### Topic 1: Introduction

Covers corporate objectives, financial manager decisions and flow of funds

Textbook:	Berk: chapters 1 & 3
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### Topic 2: Time Value of Money and the Valuation of Cashflow Streams

Covers the basic financial mathematics used in corporate finance, including effective interest rates, and the present/future value of different cash flow streams.

<b>Textbook:</b>	Berk: chapters 4 & 5
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### Topic 3: Investment Decision Rules

Covers four investment evaluation techniques, Payback, Accounting Rate of Return, Net Present Value and Internal Rate of Return and issues in applying the investment criteria.

<b>Textbook:</b>	Berk: chapter 8
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### Topic 4: Capital Budgeting

Covers special cases in the application of the Net Present Value investment criteria.

<b>Textbook:</b>	Berk: chapter 9
<b>Supplementary Materials:</b>	see iLearn

### Topic 5: Equity and Debt Valuation

Covers the characteristics of debt and equity instruments, their valuation, and the markets in which they transact.

<b>Textbook:</b>	Berk: chapter 5, 6, & 10
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### Topic 6: Financial Modelling and Growth

Covers the development of a pro-forma financial model for a firm by directly forecasting capital expenditure, working capital and financing needs.

<b>Textbook:</b>	Berk: chapter 18 & 2
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### Topic 7: Market and Firm Risk

Covers the pricing of equity market risk using the capital asset pricing model.

Textbook:

Berk: chapters 11 & 12

### Topic 8: Cost of Capital and Capital Structure

Covers the measurement of a firm's cost of capital and the determination of the impact of corporate decisions on funding streams

Textbook:

Berk: chapters 13 & 16

### Topic 9: Dividend Policy

Covers dividend policy, the impact of imputation credits and equity buybacks schemes.

Textbook:

Berk: chapter 17

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central) (<https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central>). 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](#)
- [Grade Appeal Policy](#)
- [Complaint Management Procedure for Students and Members of the Public](#)
- [Special Consideration Policy](#) (**Note:** *The Special Consideration Policy is effective from 4 December 2017 and replaces the Disruption to Studies Policy.*)

Undergraduate students seeking more policy resources can visit the [Student Policy Gateway](https://students.mq.edu.au/support/study/student-policy-gateway) (<https://students.mq.edu.au/support/study/student-policy-gateway>). It is your one-stop-shop for the key policies you need to know about throughout your undergraduate student journey.

If you would like to see all the policies relevant to Learning and Teaching visit [Policy Central](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central) (<https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/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/study/getting-started/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](#).

## 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](http://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 Services and 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.

## Student Enquiries

For all student enquiries, visit Student Connect at [ask.mq.edu.au](http://ask.mq.edu.au)

## IT Help

For help with University computer systems and technology, visit [http://www.mq.edu.au/about\\_us/offices\\_and\\_units/information\\_technology/help/](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.

## Graduate Capabilities

### PG - Capable of Professional and Personal Judgment and Initiative

Our postgraduates will demonstrate a high standard of discernment and common sense in their professional and personal judgment. They will have the ability to make informed choices and

decisions that reflect both the nature of their professional work and their personal perspectives.

This graduate capability is supported by:

### **Learning outcome**

- Apply finance theory, frameworks and methods to identify and justify evidence based strategic investment, financing and capital budgeting decisions.

## **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**

- Analyse the key features of local debt and equity markets and discuss how these features may influence investment and valuation decision making.
- Outline and apply a process, based on integrated theories and frameworks, to value an enterprise or business unit.

### **Assessment tasks**

- Mid-term Test
- 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**

- Critique a given valuation of a business unit or enterprise, based on an application of the valuation process, identifying areas where varying interpretations of value may be reasonably applied.
- Apply finance theory, frameworks and methods to identify and justify evidence based strategic investment, financing and capital budgeting decisions.
- Critically consider the implications of a firm's finance and investment decisions/strategies for the full spectrum of stakeholders, in view of the firm's social, ethical and



environmental responsibilities.

## **Assessment tasks**

- Mid-term Test
- 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**

- Outline and apply a process, based on integrated theories and frameworks, to value an enterprise or business unit.
- Critique a given valuation of a business unit or enterprise, based on an application of the valuation process, identifying areas where varying interpretations of value may be reasonably applied.

## **Assessment tasks**

- Mid-term Test
- Final Examination

## **PG - Engaged and Responsible, Active and Ethical Citizens**

Our postgraduates will be ethically aware and capable of confident transformative action in relation to their professional responsibilities and the wider community. They will have a sense of connectedness with others and country and have a sense of mutual obligation. They will be able to appreciate the impact of their professional roles for social justice and inclusion related to national and global issues

This graduate capability is supported by:

### **Learning outcomes**

- Apply finance theory, frameworks and methods to identify and justify evidence based strategic investment, financing and capital budgeting decisions.
- Critically consider the implications of a firm's finance and investment decisions/strategies for the full spectrum of stakeholders, in view of the firm's social, ethical and environmental responsibilities.

## Changes from Previous Offering

No changes from previous offering

## Alignment with MGSM's mission-driven attributes

- **Leadership:** The unit develops skills required of leaders with respect to the synthesis of a wide array of financial information in order to make well-informed and financially robust strategic decisions
- **Global mindset:** The unit enables learners to assess the implications of strategic decisions from a whole of entity perspective, across a wide spectrum of stakeholders
- **Citizenship:** The unit supports learners to conduct decisions taking into account the implications for all stakeholders and without abusing power or privilege
- **Creating sustainable value:** The unit encourages adoption of a forward-looking perspective on the impact of decisions on the financial position and performance of the entity

## Attendance Policy (MGSM)

The interactive environment of the classroom is central to the MGSM experience. Students are required to attend the full duration of all classes for the units in which they are enrolled. We recognise that exceptional circumstances may occur, such as unavoidable travel on behalf of your organization or the serious illness or injury of you or a close family member.

Special consideration may be given for a maximum of 20% non-attendance for such circumstances as long as lecturers are contacted in advance, and supporting documentation provided, to request exemption from attendance. Failure to abide by these conditions may result in automatic withdrawal, with academic and/or financial penalty. The full Student Attendance Policy is published in the MGSM Student Handbook at <https://students.mgsm.edu.au/handbook>

## Content Disclaimer

The content of this unit is provided for educational purposes only and no decision should be made based on the material without obtaining independent professional advice relating to the particular circumstances involved.