

THE UNIVERSITY OF
NEW SOUTH WALES



Faculty of Commerce and Economics
School of Banking and Finance

FINS5511
CORPORATE FINANCE

COURSE OUTLINE
SESSION 1, 2008

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1. COURSE STAFF

Course Coordinator

Dr. Peter Pham

Location: ASB building 308

Contact no.: (02) 93855952

Email: p.pham@unsw.edu.au

Consultation: Tue 11-12 am, Wed 4-5 pm

Other teaching staff

Dr. Wai-Man Raymond Liu

Location: ASB building 306

Contact no.: (02) 93855852

Email: wmr.liu@unsw.edu.au

Consultation: TBA

1.1 Communication with Staff

- ➡ General enquiries should be directed to course coordinator, Dr. Liu.
- ➡ Specific enquiries regarding course materials should be directed to the lecturer teaching each section of the course.
- ➡ Announcements will be made periodically on WebCT.

2. INFORMATION ABOUT THE COURSE

2.1 Teaching times and Locations

Lecture time:

Tuesday, 1 to 4 pm

Tuesday, 6 to 9 pm

Lecture location:

Mat 312

NSGlob Theatre

2.2 Units of Credit

This course has 6 units of credit and 6 contact hours per week.

2.3 Parallel teaching in the course

There is no parallel teaching (UG/PG) involved in this course.

2.4 Relationship of this course to other course offerings

This course is designed to introduce essential aspects of financial decision-making in business. It provides basic techniques which cover investment decisions, financing decisions and dividend decisions. This course is a core requirement for those who undertake Master of Professional Accounting and the prerequisite/corequisite courses are ACC5930 and ECON5103. For those who undertake Master of Commerce, the corequisite courses are COMM5001, COMM5002 and COMM5003. This course is closely related to FINS5516 but it has a strong focus on the Australian capital market.

2.5 Approach to learning and teaching

Our teaching philosophy is to equip students with skills to learn and think critically. We believe that an effective approach to teach is to inspire students through engaging their interest and enthusiasm and help them to actively engage in the learning process. To achieve this, we introduce in-class exercises and classroom materials are brought to the realm of real-world practice as students see the relevance of their studies to professional, disciplinary and personal context.

We encourage students to form small groups to discuss questions, problems, and issues surrounding each topic. Learning cooperatively with peers rather than in an individualistic or competitive way always helps students to develop interpersonal, professional and cognitive skills to a higher level.

3. COURSE AIMS AND OUTCOMES

3.1 Course Aims

This course is an introductory course in financial management. It stresses the modern fundamentals of corporate financial decision making with special reference to investment, financing and dividend distribution. While building upon introductory courses in accounting, economics and quantitative analysis the course develops distinctive conceptual frameworks and specialised tools for solving real world financial problems at both the individual and corporate level. The course is a blend of theory and practice. While diligent practice will make you competent in financial techniques, a good grasp of theory will help you think systematically about ways to solve a problem for which no existing technique is suitable or available.

Specific topics to be covered include: financial mathematics, security valuation, techniques for capital investment decisions, financial decision making under uncertainty (portfolio theory and capital market theory), corporate capital structure, cost of capital, dividend decision and policy.

3.2 Student Learning Outcomes

By the end of this course, you should have developed basic knowledge and skills in analysing a range of real-life financial situation using the concepts, frameworks and theories learned throughout the course. These decisions problems include:

- consumption and investment decision under certainty;
- valuation of corporate securities;
- capital budgeting under certainty;
- capital budgeting under uncertainty;
- investment decisions;
- corporate capital structure decisions;
- dividend decisions and policy;
- capital raising decisions;

3.3 Teaching Strategies

Lectures are conducted in 3-hour blocks with approximately 2 hrs on lecture and 1 hour on working through suggested problems and questions.

Students are required to attempt suggested problems and questions prior to the lecture. We will distribute additional exercises in the class and students are required to complete them and submit them by the end of the lecture. Outside the lecture, we encourage students to form study groups to engage in interactive discussion. Students are also encouraged to use online discussion forum on the WebCT as a venue to engage in discussion.

4. STUDENT RESPONSIBILITIES AND CONDUCT

4.1 Workload

It is expected that you will spend at least fifteen hours per week studying this course. This time should be made up of reading, research, working on exercises and problems, and attending classes. In periods where you need to prepare for examinations, the workload may be greater.

Over-commitment has been a cause of failure for many students. You should take the required workload into account when planning how to balance study with employment and other activities.

4.2 Attendance

Your regular and punctual attendance at lectures and seminars is expected in this course. University regulations indicate that if students attend less than eighty per cent of scheduled classes they may be refused final assessment.

4.3 General Conduct and Behaviour

You are expected to conduct yourself with consideration and respect for the needs of your fellow students and teaching staff. Conduct which unduly disrupts or interferes with a class, such as ringing or talking on mobile phones, is not acceptable and students may be asked to leave the class. More information on student conduct is available at: www.my.unsw.edu.au

4.4 Keeping informed

You should take note of all announcements made in lectures or on the course WebCT site. Most information about this course is available online through WebCT and you are expected to be fully aware of resources on the course WebCT site. From time to time, the University will send important announcements to your university e-mail address without providing you with a paper copy. You will be deemed to have received this information.

5. LEARNING ASSESSMENT

5.1 Formal Requirements

To pass this course, you must:

- achieve a composite mark of at least 50; and
- make a satisfactory attempt at all assessment tasks (see below).

5.2 Assessment Details

Assessment in this course is based on 1. solving questions and problems in the class (10%), 2. the mid-session examination (40%) and 3. the final examination (50%). The assessment is designed to reinforce our stated learning objectives. Students must **attend both the mid-session examination and the final examination** as well as **pass the final examination** to pass the course.

In-class exercises:

This assessment component will be based upon **five** in-class group work. You will form groups of two and work on some questions and problems collaboratively. This activity will take 30 minutes of the tutorial time.

Date & time: Lectures 3, 4, 5, 9, and 11
Weight: $5 \times 2\% = 10\%$ of overall assessment

The purpose of this assessment is to foster a habit of practising with exam-like quantitative questions and problems. It should help you to recall and/or improve your problem solving skills. This is also an opportunity to clear out issues and misconceptions about fundamental concepts discussed in the first few lectures.

Mid-session examination:

Date & time: 22nd April, in your normal (enrolled) lecture time
Location: In your enrolled lecture venue
Duration: 2 hours
Weight: 40% of overall assessment

The mid-session examination tests materials covered in the text, lecture notes and any supplementary reading during the first 5 lectures. It will be comprised of multiple-choice and written questions. The examination is closed book. Mid-session exam questions are set so that students have in-depth understanding of early materials, as they are the necessary foundation for the latter part of the course. You are expected to show that you have the necessary skills and knowledge to think systematically about ways to solve a financial problem. This is also an opportunity to provide some early feedbacks on your progress in the course.

Final examination:

Date & time: TBA
Location: TBA
Duration: 2.5 hours
Weight: 50% of overall assessment

The final examination tests materials covered in the textbook, lecture notes and any supplementary reading from lecture 7 onwards. It will be comprised of multiple-choice and written questions. The examination is closed book. Students are expected to show that they have the necessary skills and knowledge to think systematically about ways to solve a financial problem.

All exams are conducted in accordance with the UNSW Rules for the Conduct of Examinations and it is the student's responsibility to be familiar with these rules. For more information, refer to the UNSW examination website at:

<https://my.unsw.edu.au/student/academiclife/assessment/AssessmentPolicyIndex.html>

5.3 Special Consideration and Supplementary examinations

Students should be aware of special consideration rules and supplementary examinations, which can be found:

<https://my.unsw.edu.au/student/atoz/SpecialConsideration.html>.

Specifically:

- Applications for special consideration (including supplementary examinations) must go through UNSW Central administration (within 3 working days of the assessment to which it refers) – applications will **not** be accepted by teaching staff;

- ➡ Applying for special consideration does not automatically mean that you will be granted additional assessment or that you will be awarded an amended result;
- ➡ If you are making an application for special consideration (through UNSW Central Administration) please notify your Lecturer in Charge;
- ➡ Please note: a register of applications for Special Consideration is maintained. History of previous applications for Special Consideration is taken into account when considering each case.

6. ACADEMIC HONESTY AND PLAGIARISM

The University regards plagiarism as a form of academic misconduct, and has very strict rules regarding plagiarism. For full information regarding policies, penalties and information to help you avoid plagiarism see:

<http://www.lc.unsw.edu.au/plagiarism/index.html>

7. STUDENT RESOURCES

7.1 Course Resources

Prescribed textbook:

- ➡ Peireson, G., Brown, R., Easton, S., Howard, P. & Pinder S. *Business Finance*, McGraw-Hill, 9th edition, 2006.

The book is available at the UNSW bookshop. Students should buy a shrink-wrapped package which also includes MaxMark. MaxMark allows access to practice on multiple choice questions on each of the chapters of the text.

Additional articles:

- ➡ Hard copies of additional articles should be collected in the lecture if they are not available on the WebCT.

In addition to the textbook, each week the lecturer may distribute articles that form as a part of required reading. Students are expected to read these articles prior to the class and discuss them during the lecture. For each article students are advised to: (i) summarize the main points; (ii) try to answer all assigned questions (if there is any) and (iii) try to understand how each reading adds to the coverage of corresponding materials in the Ross et al's textbook and accompanying lecture slides. Contents of the articles are examinable.

Other references:

- ➡ Myers, S. & Brealey, R. A. *Principles of Corporate Finance*, McGraw-Hill, 7th edition, 2003.
- ➡ Chew, D. H. (eds) *The New Corporate Finance – Where Theory Meets Practice*, McGraw-Hill, 3rd edition, 2001.

Students are expected to read the financial press regularly e.g. Australian Financial Review, Sydney Morning Herald, Business Review Weekly etc.

WebCT Vista:

Students should make extensive use of WebCT course site. The WebCT course site includes the following:

- ➡ Relevant questions and practice problems to each topic;
- ➡ Worked solutions to all questions and practice problems;
- ➡ A discussion forum that allows students to engage in public online discussions about the course;
- ➡ Your assessment results;
- ➡ Important announcements that are related to the course.

The WebCT site for this course can be accessed from the WebCT Vista log-in page:

<http://vista.elearning.unsw.edu.au>

7.2 Other Resources, Support and Information

The University and the Faculty provide a wide range of support services for students, including:

- ➡ Learning and study support;
- ➡ Counselling support - <http://www.counselling.unsw.edu.au>;
- ➡ Library training and support services - <http://info.library.unsw.edu.au>;
- ➡ Disability Support Services – Those students who have a disability that requires some adjustment in their teaching or learning environment are encouraged to discuss their study needs with the Course Coordinator or the Equity Officer (<http://www.equity.unsw.edu.au/disabil.html>). Early notification is essential to enable any necessary adjustments to be made.

In addition, it is important that all students are familiar with University policies and procedures in relation to such issues as:

- ➡ Examination procedures and advice concerning illness or misadventure;
- ➡ Occupational Health and Safety policies and student responsibilities.

8. CONTINUAL COURSE IMPROVEMENT

Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW's Course and Teaching Evaluation and Improvement (CATEI) Process (http://www.ltu.unsw.edu.au/ref4-5-1_catei_process.cfm) is one of the ways in which student evaluative feedback is gathered. Significant changes to courses and programs within the School are communicated to subsequent cohorts of students.

9. COURSE SCHEDULE

Lecture	Week Starting	Lecture Topics (Textbook reference) Lecturer	Tutorial Activities: Questions (Q), Problems (P)
1	10 Mar 08	Introduction to corporate finance (Ch.1 & 2) Lecturer: Dr. Wai-Man Raymond Liu	No questions or problems
2	17 Mar 08	Time value of money, valuing shares and bonds (Ch. 3 & 4) Lecturer: Dr. Wai-Man Raymond Liu	Ch. 1: Q1, 2, 8-11,14-15 Ch. 2: Q2-4, P1 , P2-3
3	31 Mar 08	NPV and other investment criteria, making capital investment decisions (Ch. 5) Lecturer: Dr. Wai-Man Raymond Liu	Ch. 3: Q2, 6, 7, P5, 7, P8,15 , P30-33,P36-37, P39-40,43 Ch. 4: Q2-5, P1, P2-4 In-class assessment (2%)
4	7 Apr 08	Project analysis and evaluation I (Ch. 6) Lecturer: Dr. Wai-Man Raymond Liu	Ch. 5: Q1-3, 6-9, 12 P1, P2, P3, P4, 5, P7 In-class assessment (2%)
5	14 Apr 08	Project analysis and evaluation II & Review (Ch. 6 & 7) Lecturer: Dr. Wai-Man Raymond Liu	Ch. 6: Q1-5, P1, 2, P3-5 , P7, P8 , P10-12. In-class assessment (2%)
6	21 Apr 08	Mid-session exam No lecture	
7	28 Apr 08	Portfolio theory and asset pricing (Ch. 7) Lecturer: Dr. Peter Pham	No questions or problems
8	5 May 08	Capital market efficiency (Ch. 17) Lecturer: Dr. Peter Pham	Ch.7: Q1-11, P2-4, P7-9
9	12 May 08	Long-term financing: equity issues (Ch. 10 & 11) Lecturer: Dr. Peter Pham	Ch.17: Q1-18 In-class assessment (2%)
10	19 May 08	Dividends and share repurchase decisions (Ch. 12) Lecturer: Dr. Peter Pham	Ch.10: Q1-24, P1 , P3-4 : Additional Article
11	26 May 08	Principles of capital structure & capital structure decisions (Ch. 13 & 14) Lecturer: Dr. Peter Pham	Ch.12: Q1-19, P4-5 In-class assessment (2%)
12	2 Jun 08	Cost of capital and Revision (Ch. 15) Lecturer: Dr. Peter Pham	Ch.13: Q1-12, P2 , P4-5 : Ch.14: Q1-16 Ch.15: Q1-7, P1 , P6 , P17

(Problems in bold style are also essential and students must attempt them before the class. All other questions and problems should be attempted throughout the semester as a part of exam revision)

Diagrammatic outline of the course

