

AGSM MBA Programs 2015

FUNDAMENTALS OF CORPORATE FINANCE

Session 3, 2015

Course Overview

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AGSM @ UNSW Business School

Never Stand Still

Business School



27/7/2015

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COURSE OVERVIEW

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Course schedule

Session 3, 2015

Fundamentals of Corporate Finance

Week no	Week begins	Unit	Assessment due (% weighting)
1	7 September	1	Participation is assessed throughout the semester (15%)
2	14 September	2	
3	21 September	3	
4	28 September	4	
5	5 October*	5	Assignment 1 due on Friday 9 October by 9.30am Sydney time: group assignment – questions (15%)
6	12 October	6	
7	19 October	7	
8	26 October	8	
9	2 November	9	
10	9 November	10	Assignment 2 due on Tuesday 10 November by 9.30am Sydney time: group assignment – questions (25%)
11	16 November	11	
12	23 November	12	
13	30 November	Examination week	Examination** on Friday 4 December – 2pm if sitting on campus (45%)

* Monday 5 October is a public holiday in NSW

** Examination is 2.5 hours, open book

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Course information

Course-level aims and learning goals

A critical component of the knowledge base of graduates in business or commerce is financial management, or the study of corporate finance. This course provides a modern, unified treatment of financial management which meets the professional requirements of Australian accounting bodies while providing a framework for understanding the important areas of financial decision-making.

Because it provides an overview of the role of finance in business activities, the course is particularly well suited to students not wishing to specialise in finance but for whom an understanding of the basics of financial decision-making is essential in developing their managerial skills. This course also forms a foundation of the assumed knowledge required for advanced courses in finance e.g., portfolio management of financial assets, options and futures and other derivatives, funds management etc.

Being an introductory course, we avoid much of the highly technical and often mathematical analysis that characterises the study of finance at more advanced levels.

While previous knowledge of accounting is helpful, it is not a prerequisite, as the required accounting concepts will be explained and developed within the course. However, a minimal knowledge of quantitative methods is assumed. What is desirable, however, is that students feel comfortable with numbers because, after all, finance is about money, and financial decisions are often supported by numbers and figures.

Formulae will be provided in the examination, and therefore no derivation and memorisation is required. If you have concerns about your background in these areas, please consult your Class Facilitator.

Course learning outcomes

When you have completed this course you should be able to:

1. explain the basic concepts of corporate finance: investment, financing and distribution of dividends.
2. demonstrate application of these basic concepts to the primary areas of financial decision-making or financial management
3. apply basic tools and techniques to real-world financial valuations at the individual and corporate levels
4. discuss how the interests of owners, debt holders and management of a firm may conflict and how those conflicts may influence financial decisions
5. explain how financial securities are priced, and hence make an informed decision on investing (for yourself or your firm) in the stock market
6. critically evaluate appropriate methods of valuation of personal and corporate financial decisions that involve theoretical and practical considerations

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7. produce written documents that communicate complex financial ideas and information effectively
8. participate collaboratively and responsibly in teams, and to reflect on own teamwork, and on the team's processes and ability to achieve outcomes
9. identify and assess ethical, environmental and sustainability considerations in financial decision-making practice
10. discuss and consider factors pertaining to multinational corporations operating in different social and cultural contexts.

Structure

Unit 1: *Introduction to Corporate Finance*, introduces the framework in which the finance discipline operates. We begin with a discussion of what constitutes the goals of an organisation, followed by the major decisions that must be made to achieve those goals. Some key concepts related to the business environment are also briefly explained and discussed.

Unit 2: *Financial Mathematics: Time Value of Money*. Here, we will compare business propositions or choices that involve future cash flows (incomes and/or costs) and use the techniques of financial mathematics to solve financial problems.

Unit 3: *Bond and Stock Valuation*. In this Unit, we will use the concepts and techniques developed in Unit 2 to value two main types of financial securities: fixed interest rate securities (bonds, debentures, notes, commercial papers, etc.) and equity shares.

Unit 4: *NPV and other Investment Criteria*, explains the techniques that can be used in the selection of investment projects. We survey a number of criteria by which investment projects are assessed and ranked in terms of their contributions to corporate value.

Unit 5: *Making Capital Investment Decisions*, provides the methodology for correct calculations of investment cash flows using accounting numbers in financial statements.

Unit 6: *Lessons from Capital Market History*, and Unit 7 *Returns, Risk and the Security Market Line*, provide a framework whereby risk can be quantified.

Unit 8: *Cost of Capital*, explores the cost of capital further, with a view to quantifying it for practical purposes.

Unit 9: *Dividends and Dividend Policy*, will help you to form an informed opinion on the relevance/irrelevance of dividend policy, and identify real-world factors that should be considered in making a dividend distribution decision.

Unit 10: *Financial Leverage and Capital Structure Policy*, continues the preceding theme. We further develop the financing decision by exploring the theoretical approach, and bring real world factors into play.

Unit 11: *Options and Corporate Securities: Basics, Valuation and Applications*, introduces a special type of derivatives called an 'option'. We explore the valuation of option contracts; then recast some corporate financial problems in the option framework.

Unit 12: *Issuing Securities to the Public*, looks at how companies in Australia raise capital from the public.

Program quality assurance

A number of international standards are embedded in the program to ensure the courses you study are high quality. At present this includes specific design to meet AACSB accreditation standards (through measurement of students' program-level learning outcomes), and the United Nations Principles for Responsible Management Education (UNPRME). EQUIS accreditation is also held by UNSW Business School.

Program-level learning goals and outcomes assessed for AACSB accreditation

The Course Learning Outcomes are what you should be able to do by the end of this course if you participate fully in learning activities and successfully complete the assessment items.

The Course Learning Outcomes will also help you to achieve at least some of the overall Program Learning Goals that are set for all postgraduate coursework students in AGSM programs.

However, course-level learning outcomes are not sufficient to fully describe a student's skills as they complete the qualification, and so we add an additional set of Program Learning Goals. These specify what we want you to have achieved by the time you successfully complete your degree. As an example, for the Teamwork learning goal we specify: 'Our graduates will be effective team participants'.

You demonstrate that you have met these Program Learning Goals by achieving specific Program Learning Outcomes that are directly related to each goal. These indicate what you are able to do by the end of your degree. In the case of the Teamwork goal, the related outcome includes: 'participate collaboratively and responsibly in teams'. Note that the ability to meet these program-level learning goals and outcomes will be measured in each capstone course for your degree program.

The Program Learning Goals (and related outcomes) used across the three streams of Change, Social Impact and Technology are as follows.

1. Knowledge:
Our graduates will have current disciplinary or interdisciplinary knowledge applicable in local and global contexts.
Learning outcome: Students should be able to identify and apply current knowledge disciplinary or interdisciplinary theory and professional practice to business in local and global environments.
2. Critical thinking and problem-solving:
Our graduates will have critical thinking and problem-solving skills applicable to business and management practice or issues.
Learning outcome: Students should be able to identify, research and analyse complex issues and problems in business and/or management, and propose appropriate and well-justified solutions.

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3. Communication:

Our graduates will be effective communicators in professional contexts.

Learning outcome for 3a – Written Communication: Students should be able to produce written documents that communicate complex disciplinary ideas and information effectively for the intended audience and purpose.

Learning outcome for 3b – Oral Communication: Students should be able to produce oral presentations that communicate complex disciplinary ideas and information effectively for the intended audience and purpose.

4. Teamwork:

Our graduates will be effective team participants.

Learning outcome: Students should be able to participate collaboratively and responsibly in teams, and to reflect on their own teamwork, and on the team's processes and ability to achieve outcomes.

5. Ethical, social and environmental responsibility:

Our graduates will be aware of ethical, social, cultural and environmental implications of business issues and practice.

Learning outcome for 5a – Ethical, social and environmental responsibility: Students should be able to identify and assess ethical, environmental and/or sustainability considerations in business decision-making and practice.

Learning outcome for 5b – Social and cultural awareness: Students should be able to consider social and cultural implications of business.

6. Leadership:

Our graduates will have an understanding of effective leadership.

Learning outcome: Students should be able to reflect upon their own personal leadership style and on the leadership needs of business and of team.

Associated standards committees and accreditation agencies

AACSB:	http://www.aacsb.edu Association to Advance Collegiate Schools of Business
EQUIS:	https://www.efmd.org/accreditation-main/equis European Quality Improvement System
UNPRME:	http://www.unprme.org UN Principles of Responsible Management Education

Resources

Learning resources

You have four major resources to help you learn:

1. The course materials, comprising the weekly study units with readings, references, insights and commentary. You will do much of your learning outside the classroom by working through the course materials, and by completing the exercises as they arise.
2. Your online or face-to-face classes with your facilitator. The facilitator's job is to guide your learning by conducting class discussion, answering questions that might arise after you have done the week's work, providing insights from his or her practical experience and understanding of theory, providing you with feedback on your assignments, and directing discussions and debates that will occur between you and your co-participants in the classroom.
3. Your co-participants. Your colleagues in the classroom are an invaluable potential source of learning for you. Their work and life, and their willingness to question and argue with the course materials, the facilitator and your views, represent a great learning opportunity. They bring much valuable insight to the learning experience.
4. In addition to course-based resources, please also refer to the *AGSM Learning Guide* (available in Moodle) for tutorials and guides that will help you learn more about effective study practices and techniques.

Course materials

The course materials comprise this Course Overview, the Assessment Details and 12 Units. Each Unit has a number of associated readings.

Readings

Specific readings are prescribed throughout the Units and are available via active hyperlinks or URLs. Please note that you may be required to enter your UNSW zID and zPass in order to access these hyperlinked readings.

If you experience any problems in accessing the readings, please try the following:

- Search directly for the **article** on the UNSW Library home page (<https://library.unsw.edu.au/>) by placing the name of the article in the Search box.
- Search directly for the **book excerpt** on the UNSW Library home page (<https://library.unsw.edu.au/>) by placing your course code into the Search box. When you do this all the course readings that are excerpts from books will appear.

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Prescribed textbook

Your prescribed textbook for the course is:

Ross S A, Traylor R, Bird R, Westerfield R W and Jordan B D, 2013, *Essentials of Corporate Finance*, 3rd edn, McGraw-Hill.
ISBN 9780071013185 (pbk)

Note: a document on how to purchase the eBook version of the above textbook will be uploaded in Moodle.

Help with terminology

You are directed to the Glossary of Terms at the end of your text. This will prove invaluable as you will be introduced to many financial terms in this course that may be new to you.

Important: Note that we do not cover all 18 chapters of the textbook. Moreover, in some of the assigned chapters, not all sections may be required reading for the topic. Read the Study Guide notes carefully to determine which sections or pages of the chapter are required reading, and therefore assessable.

Recommended reading

Books

If you would like to refer to a more advanced (but optional) textbook to enhance your understanding, the following texts could be of some assistance:

Meggison W L and Smart S B, 2009, *Introduction to Corporate Finance*, 2nd edn, Cengage Learning.

Ross S A, Westerfield R W and Jaffe J, 2010, *Corporate Finance*, 9th edn, McGraw-Hill Irwin.

Journals and newspapers

If you are interested in extending your knowledge of finance beyond the assessable material for this course, you will find a financial newspaper useful supplementary reading; e.g. *Australian Financial Review* or *Wall Street Journal*.

Your Class Facilitator will refer regularly to current financial events (e.g. the global financial crisis) in order to illustrate how financial decisions are made and how finance theory is relevant to such critical decisions.

Reading the financial press and being able to analyse financial events should better equip you to make informed financial decisions.

eLearning

To access Moodle, go to: <https://moodle.telt.unsw.edu.au/login/index.php>
Login with your student zID (username) and zPass (password).

Moodle eLearning support

Should you have any difficulties accessing your course online, please contact the eLearning support below:

For **login** issues:

UNSW IT Service Centre

Hours: Monday to Friday: 8am – 8pm
Saturday and Sunday: 11am – 2pm

Email: ITServiceCentre@unsw.edu.au

Phone: Internal: x51333
External: 02 9385 1333
International: +61 2 9385 1333

For help with technical issues and problems:

External TELT Support

Hours: Monday to Friday: 7.30am – 9.30pm
Saturdays and Sundays: 8.30am – 4.30pm

Email: externalteltsupport@unsw.edu.au

Phone: Internal: x53331
External: 02 9385 3331
International: +61 2 9385 3331

Administrative and eLearning support

Student Experience

If you have administrative queries, they should be addressed to Student Experience.

Student Experience
AGSM MBA Programs
UNSW Business School
SYDNEY NSW 2052

Phone: +61 2 9931 9400

Email: studentexperience@agsm.edu.au

Additional student resources and support

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

- **Business School Education Development Unit (EDU)**
<https://www.business.unsw.edu.au/students/resources/learning-support>
The EDU provides academic writing, study skills and maths support specifically for Business students. Services include workshops, online resources, and individual consultations.
EDU Office: Level 1, Room 1033, Quadrangle Building.
Phone: +61 2 9385 5584; Email: edu@unsw.edu.au
- **UNSW Learning Centre**
<http://www.lc.unsw.edu.au>
Provides academic skills support services, including workshops and resources, for all UNSW students. See website for details.
- **Library training and search support services**
<http://info.library.unsw.edu.au/web/services/services.html>
- **UNSW Counselling and Psychological Services**
<https://student.unsw.edu.au/wellbeing>
Provides support and services if you need help with your personal life, getting your academic life back on track or just want to know how to stay safe, including free, confidential counselling.
Office: Level 2, East Wing, Quadrangle Building;
Phone: +61 2 9385 5418.
- **Student Equity & Disabilities Unit**
<http://www.studentequity.unsw.edu.au>
Provides advice regarding equity and diversity issues, and support for students who have a disability or disadvantage that interferes with their learning.
Office: Ground Floor, John Goodsell Building;
Phone: +61 2 9385 4734; Email: seadu@unsw.edu.au

Continual course improvement

Our courses are revised each time they run, with updated course overviews and assessment tasks. All courses are reviewed and revised regularly and significant course updates are carried out in line with industry developments.

The AGSM surveys students via the UNSW CATEI system each time a course is offered. The data collected provides anonymous feedback from students on the quality of course content and materials, class facilitation, student support services and the program in general. This student feedback is taken into account in all course revisions.

Student evaluations from the last presentation of the course

Students commented on a number of items, including alignment of the text and Unit materials, inclusion of more case studies, reducing the amount of mathematics required to help focus on real-world issues, along with suggestions about changes to evaluation processes for the course group work.

Coordinator's response

Improvements and/or corrections for the latest offering include:

- Correct versions of solutions to textbook problems/questions
- One or two short case studies to be set for discussion
- While mathematical formulae are retained for those who are interested, reminders will be repeated in forums to emphasise how they are applied in the real world. More importantly, there is no need to memorise them as the final examination is open book
- In assignments, students will be given the opportunity to evaluate each other for the purpose of mark allocation.

Other improvements include a revision of the course learning outcomes to make it clearer what students will learn during the course, and a reduction in the weighting for the exam.

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Course staff

Course coordinator

Each course has a Course Coordinator who is responsible for the academic leadership and overall academic integrity of the course. The Course Coordinator selects content and sets assessment tasks, and takes responsibility for specific academic and administrative issues related to the course when it is being offered. Course Coordinators oversee Class Facilitators and ensure that the ongoing standard of facilitation in the course is consistent with the quality requirements of the program.

The Course Coordinator is:



**Associate Professor Toan Pham,
BEC Tas MCom PhD UNSW**

Email: t.pham@unsw.edu.au

Toan holds a BEc (Hons) from the University of Tasmania, and an MCom and PhD from UNSW. He is an Associate Professor at UNSW Business School.

His teaching and research interests range from corporate finance to asset pricing and derivatives. He has published in international finance journals and presented papers at international conferences. He is a very experienced lecturer and thesis supervisor and has developed and taught a large number of courses at both the undergraduate and graduate levels.

In recent years, Toan was involved in designing and teaching Master of Finance and Master of Commerce programs in Beijing and Guangzhou in China, a joint venture between the UNSW then Faculty of Commerce and Economics (now UNSW Business School) and leading universities in China.

Class facilitator

The role of your Class Facilitator is to support the learning process by encouraging interaction amongst participants, providing direction in understanding the course content, assessing participant progress through the course and providing feedback on work submitted. Class Facilitators comprise both academics and industry practitioners with relevant backgrounds.

You will be notified of your Class Facilitator's name and contact details in your class confirmation email sent by AGSM Student Experience. Details will also be available in the gallery section of your online class for both face-to-face and distance classes.

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Course authors

The Course Coordinator, A/Professor Toan Pham, is the author of this course.

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