



UNIVERSITY
OF TASMANIA

School of Economics

Faculty of Commerce

BEA343 Corporate Finance

Semester 2, 2003

Unit Outline

Mr Nagaratnam J Sreedharan

CRICOS Provider Code: 00586B

Contact details

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Unit details

Campus & Mode: Hobart, Web CT Supported
Unit Weight: 12.5% elective unit in the BEc degree

Prerequisite BEA286 Investment Analysis

Teaching Staff: Mr Nagaratnam J Sreedharan

Compulsory unit in the Finance Major in the BEc and BCom degrees

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Unit description

This Unit is concerned with Corporate Finance, which involves financing and managing the resources (assets) of a business. In Corporate Finance the central issues are how to acquire and employ or invest funds. Concepts in Corporate Finance are explored as a set of ideas and principles that work together and then applied as a part of the decision-making process.

Aim

The aim of this Unit (Corporate Finance) is on providing a theoretical and practical framework for understanding the role of the chief financial officer (CFO) or the financial manager (FM) as a decision-maker, and stresses the need for managerial input and judgment.

Learning outcomes

On completion of this Unit the student should be able to

- Explain how a company's CFO and FM can, in principle, make financial decisions that will be supported by all shareholders;
- Explain how the existence of the capital market makes this possible;
- Identify the company's optimal investment/ dividend policy, if any;
- Appreciate the role of derivative securities in the management of corporate risk;
- Evaluate the economic consequences of takeover activities.

Generic graduate attributes

Attribute	Description	Exemplars
Knowledge	Graduates will have a broad coverage that will enable them to apply that knowledge in practice in Corporate Finance.	Develop a broad knowledge base of the various aspects of Corporate Finance in relation to other disciplines in finance;
Communication skills	Graduates will be able to communicate effectively across a range of topics in Corporate Finance.	The weekly Case Studies require a demonstration of oral, written, numerical and graphic communication skills; The Case Studies will also enable students to listen to and evaluate the views of others.

Attribute	Description	Exemplars
Problem-solving skills	Graduates will be effective problem-solvers, capable of applying logical, critical and creative thinking to a range of problems in Corporate Finance.	The Case Studies require students to conceptualise problems and formulate a range of relevant solutions; Each student will work in Groups and will have to effectively work with others on the Cases;

Pre-requisites/co-requisites

Assumed skills

- Microsoft Excel
- Microsoft Powerpoint

Prerequisite

BEA286 Investment Analysis

Texts, references and learning resources

Prescribed text(s)

Peirson, G., R. Brown, et al. (2002). *Business finance*. Sydney, McGraw-Hill Australia Pty Limited.

deMello, J. (2003). *Cases in Finance*. New York, McGraw-Hill/Irwin.

Recommended readings

Ross, S. A., Thompson, Christensen, Westerfield and Jordan, *Fundamentals of Corporate Finance*, 2nd Australian Edition, McGraw-Hill Book Company Australia Pty Ltd, 2001.

Brealey, R. S. Myers, G. Partington and D. Robinson, *Principles of Corporate Finance*, McGraw-Hill, 2000.

Damodaran, A. *Corporate Finance: Theory and Practice*, Wiley, New York, 1997.

Meggison, William L., *Corporate Finance Theory*, Addison-Wesley Pub Co, 1996.

Benninga, Simon; Sarig, Oded H., *Corporate Finance/Intl Student: A Valuation Approach*, McGraw Hill Book Co Ltd, 1997.

Brigham, Eugene F., Ehrhardt, Michael, *Corporate Finance: A Focused Approach*, Thomson Learning, 2002.

Schlosser, Michel, *Corporate Finance: A Model Building Approach*, Prentice Hall (Sydney), 1989.

Franks, Julian R., *Corporate Finance: Concepts and Applications*, Thomson Learning, 1985.

Kaen, Fred R., *Corporate Finance: Concepts and Principles*, Blackwell Pub, 1995.

Unit Readings (Chapters and Case Studies)

Readings should be done in advance of class in which material will be discussed. The outline above shows the student the relevant problems and case studies for discussion for each workshop. The student is responsible for having read and understood the assigned material from the Unit Textbook and the Case Studies list, regardless of whether the subject is actually discussed in class. Any changes to the reading list will be announced in class.

Teaching arrangements

Lectures

There will be one two-hour lecture weekly, held on Thursday 1.10pm – 3.00pm, in Commerce Lecture Theatre 2.

Workshops

There will be a one-hour workshop weekly, held on Wednesday 9.00am – 9.50am, in Commerce Lecture Theatre 2, starting in week 15.

Occupational health and safety (OH&S)

The University is committed to providing a safe and secure teaching and learning environment. In addition to specific requirements of this unit you should refer to the University's policy at: http://www.admin.utas.edu.au/hr/ohs/pol_proc/ohs.pdf

Unit schedule

Lectures	First Half	Second Half	Readings*	Workshops**
Week 14	Overview and introduction	Consumption, investment and the capital market	Ch01; Ch02	No workshop in week one
Week 15	The time value of money	Applying the time value of money to security valuation	Ch03; Ch04;	End-of-Chapter Problems and Case Studies of L01
Week 16	Project evaluation	The application of project evaluation methods	Ch05; Ch06;	End-of-Chapter Problems and Case Studies of L02
Week 17	Portfolio theory and asset pricing	Capital market efficiency	Ch07; Ch17;	End-of-Chapter Problems and Case Studies of L03
Week 18	The cost of capital in project evaluation	Leasing and equipment finance	Ch15; Ch16	End-of-Chapter Problems and Case Studies of L04
Week 19	Sources of long-term finance: equity	Sources of long-term finance: Debt	Ch10; Ch11;	End-of-Chapter Problems and Case Studies of L05
Week 20	Mid-term exam; L01-L05	Sources of short-term debt	Ch09;	End-of-Chapter Problems and Case Studies of L06
Week 21	Principles of capital structure	Capital structure decisions	Ch13; Ch14;	End-of-Chapter Problems and Case Studies of L07
Week 22	Futures contracts	Options and contingent claims	Ch18; Ch19;	End-of-Chapter Problems and Case Studies of L08
Week 23	Dividend and share repurchase decisions	Analysis of takeovers	Ch12; Ch20;	End-of-Chapter Problems and Case Studies of L09
Week 24	Management of short-term assets	Inventory management	Ch22; Ch23;	End-of-Chapter Problems and Case Studies of L10
Week 25	Liquidity management	Accounts receivable management	Ch24; Ch25;	End-of-Chapter Problems and Case Studies of L11
Week 26	International financial management	Revision	Ch21;	End-of-Chapter Problems and Case Studies of L12/L13

* Ch##: Chapter ## from Textbook;

** L##: Lecture ##

Learning expectations and strategies

Expectations

The University is committed to high standards of professional conduct in all activities, and holds its commitment and responsibilities to its students as being of paramount importance. Likewise, it holds expectations about the responsibilities students have as they pursue their studies within the special environment the University offers.

The University's Code of Conduct for Teaching and Learning states:

Students are expected to participate actively and positively in the teaching/learning environment. They must attend classes when and as required, strive to maintain steady progress within the subject or unit framework, comply with workload expectations, and submit required work on time.

Learning strategies

If you need assistance in preparing for study please refer to your tutor or lecturer. For additional information refer to the Learning Development website : <http://www.utas.edu.au/learndev/>

If you will be using WebCT for the first time and would like some information on how to use WebCT refer to the following guide: http://www.utas.edu.au/coursesonline/docs/using_webct.pdf

Some of the units you will study use video conferencing to deliver lectures and tutorials. To enable you to get the best out of a video conference please refer to the following guide. <http://www.its.utas.edu.au/videoconf/vcstudentguide.pdf>

Assessment

Final Examination (50%)

The final exam will be based on all topics covered in the Unit and most of the core concepts are covered in the first-half of the Unit. The exam will comprise of general questions and specific questions based on the topics and case studies covered in the Unit.

Mid-term Examination (20%)

The mid-term exam on week 20 will be based on topics covered lectures 1-5. It will be composed of multiple choice questions.

Assignments (30%)

The assignments will be in the form of Case Studies that will be allocated in week 1 of semester 2. Each student will be required to undertake, present and discuss two (2) Case Studies over the semester. Students are required to form Groups of 2 each.

Assessment summary

Component	Weight/Value	Due date
Mid-semester test	20%	1 hour - Week 20
Assignments (2 x Case Studies)	30%	Relevant Workshops
Final exam	50%	2 Hours - Examination period
Total	100%	

Submission of assignments

All work must have the School of Economics Assignment Cover Sheet attached. The cover sheet will be available on the unit page on WebCT.

Please remember that you are responsible for lodging your written work on or before the due date. We suggest that you keep a copy – photocopying is ideal. Even in the most ‘perfect’ of systems, items sometimes go astray. Lodge your assignments in the box marked BEA343 on Level 4, Foyer Area, Commerce Building. Work will be returned during classes. Uncollected assignments will be available from the Secretary’s office, Room 407.

Requests for extensions

Extensions will only be granted on the basis of consultation with your lecturer before the due date. If you are ill, please provide a medical certificate so that this can be noted. If you are unable to attend the mid-semester test due to circumstances beyond your control, please inform your lecturer or the School Secretary before the test date.

Penalties

Late submission of assignments and other forms of assessment will incur a penalty of:

- 1 – business day late = 10% penalty
- 2 – 5 business days late = 25% penalty
- 5 business days or more = 100% penalty

Access to WebCT

The WebCT entry page is at <http://webct.utas.edu.au:8900/>. Click 'Log on to myWebCT' and enter the same username and password that you use for your University email account. Your personal WebCT page will appear, with the units in which you are enrolled listed at the top left of the screen. Click on the 'BEA343 Corporate Finance' link to gain access to the home page for this unit. Details about WebCT features are available on <http://www.webct.com/quickstart>. If you run into problems with WebCT, contact the Help Desk on Telephone: 6324 3888, or Email: HelpDesk@weboffice.utas.edu.au.

Academic referencing

Student writers need to back up their ideas by referring to scholarly literature, works of art and inventions that they have used. Failure to do so constitutes academic dishonesty (plagiarism), a matter considered by the University of Tasmania as a serious offence. It is important that students understand how to correctly refer to the work of others and maintain academic integrity.

The appropriate referencing style for this unit is

Baumol, William (1986), "Productivity Growth, Convergence and Welfare", *American Economic Review*, vol. 76, pp. 1072-85.

Maddison, Angus (1970), *Economic Progress and Policy in Developing Countries*, London, Allen and Unwin.

For information on presentation of assignments :

<http://www.utas.edu.au/library/assist/gpoa/gpoa.html>

Please read the following statement on plagiarism. Should you require clarification please see your unit coordinator or lecturer.

Plagiarism

Plagiarism is a form of cheating. It is taking and using someone else's thoughts, writings or inventions and representing them as your own; for example, using an author's words without putting them in quotation marks and citing the source, using an author's ideas without proper acknowledgment and citation or copying another student's work.

In fact the intentional copying and submission of someone else's work as one's own is a serious offence tantamount to academic fraud. It is a University offence punishable by a range of penalties that may range from a fine or deduction/cancellation of marks and, in the most serious of cases, exclusion from a unit, a course, or the University. **When in doubt consult your lecturer or tutor.** Details of penalties that can be imposed are available in the Ordinance of Student Discipline or at: www.utas.edu.au/plagiarism

Useful resources on academic integrity, including what it is and how to maintain it, are also available at http://www.utas.edu.au/tl/academic_integrity/index.html

Additional assistance

If you are experiencing difficulties with your studies or assignments, have personal or life planning issues, disability or illness which may affect your course of study, you should raise these with your lecturer.

Student Services staff are located in Hobart, Launceston and Burnie and provide a wide range of services to assist students, they include:

- Student Counsellor
- Careers Adviser
- Disability Adviser
- Student Employment Service.

Or visit the Student Services website at :
<http://student.admin.utas.edu.au/services/>

Should you require assistance in accessing the Library visit their website for more information at <http://www.utas.edu.au/library/>

Your contact Librarian for this unit is :

Heather Mitchell (ext 2306)

International Services website provides information on the assistance available to international students, visit their site at :
<http://www.international.utas.edu.au/index.html>

The Learning Development website has a wide range of resources on study skills and learning strategies, visit their site at : <http://www.utas.edu.au/learndev/>

Help resolving concerns about this unit

If you have any concerns or complaints with the administration and/or management in this unit or your BEc course of either a general or personal nature, then you should in the first instance discuss the matter with your lecturer. If you feel that you would rather discuss the issue with an independent person within the School of Economics, then contact the Ombusperson:

Dr Sarah Jennings
School of Economics
Room 413
email sarah.jennings@utas.edu.au

If the matter is still unresolved and you would like to know who to contact or the procedures for resolving your concern refer to the following website :
<http://student.admin.utas.edu.au/services/complaints/index.html>

The Hobart based Tasmanian University Union (TUU) or the Launceston/Burnie based Student Association (SA) may also be able to assist.

Unit feedback

The University of Tasmania, on a regular basis, evaluates its teaching and learning environment through the Student Evaluation of Teaching and Learning (SETL) system. The University values feedback from students and from time to time you will be asked to complete a SETL evaluation for a unit of study. For more information on SETL go to :

<http://student.admin.utas.edu.au/setl/index.html>