BEA651
Corporate Finance

Semester 1, 2014

THIS UNIT IS BEING OFFERED IN
HOBART

Unit Coordinator:
Mr William Norton Grey

CRICOS Provider Code: 00586B
Contact Details

Unit Coordinator/Lecturer: W. Norton Grey
Campus: Sandy Bay
Room Number: Room 411, Level 4 Commerce Building
Email: Norton.Grey@utas.edu.au
Phone: (03) 6226 2377
Consultation Time:
  Tuesday 11:00am to 12:00noon
  Thursday 10:00am to 12:00noon
  Or by appointment
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 are then applied as a part of the decision-making process.

Corporate Finance is a compulsory unit for the Masters of Finance Major and an elective in other Business majors.

Prior Knowledge &/or Skills OR Pre-Requisite Unit(s)

- Microsoft Excel
- A basic level of literacy
- Basic Algebra – manipulation of equations, solving two equations for two unknowns
- Graphical Analysis – plotting functions, identifying slope and intercept

Enrolment in the Unit

Unless there are exceptional circumstances, students should not enrol in this unit after the end of week two of semester, as the Tasmanian School of Business and Economics (TSBE) cannot guarantee that:

- any extra assistance will be provided by the teaching team in respect of work covered in the period prior to enrolment; and
- penalties will not be applied for late submission of any piece or pieces of assessment that were due during this period.
### Intended Learning Outcomes and Generic Graduate Attributes

<table>
<thead>
<tr>
<th>Learning Outcome</th>
<th>Assessment Criteria</th>
<th>Assessment</th>
<th>Generic Attribute</th>
</tr>
</thead>
<tbody>
<tr>
<td>LO1: Examine the role of corporations and portfolio management</td>
<td>Graduates will undertake analysis of leasing and loan markets. Evaluate risk and apply it to portfolio theory, use CAPM to make financial decisions. Assess shareholder wealth and revenue implications using a range of evaluation techniques. Examine and critique optimal management strategies.</td>
<td>Mid semester test, Exam, Case studies</td>
<td>Knowledge, Problem Solving</td>
</tr>
<tr>
<td>LO2: Ability to explain the conflicts that can occur in behaviour models</td>
<td>Recognize asymmetric information and investigate agency conflict resolution. Define classical versus dividend imputation tax systems and explain their effect on corporate behavior. Define and critically evaluate the rights of bond holders and debtors versus shareholders. Recognize and explore the impact of social change, world events, business actions and government policy has upon a company’s resources, behaviour and welfare. Investigate optimal growth paths for a company and explore the associated problems.</td>
<td>Mid semester test, Exam, Case studies</td>
<td>Knowledge, Problem Solving, Communication, Global Perspective, Social Responsibility</td>
</tr>
<tr>
<td>LO3: Appraise the role of risk and its role in determining financial values</td>
<td>Appraise risk and construct risk minimizing portfolios. Analyze the choice of discount rates in asset pricing.</td>
<td>Mid semester test, Exam, Case studies</td>
<td>Knowledge, Problem Solving</td>
</tr>
<tr>
<td>LO4: Communicate</td>
<td>Cooperate as a team member. Critically evaluate and report on other teams presentations.</td>
<td>Case Study, Case study</td>
<td>Knowledge, Problem Solving</td>
</tr>
</tbody>
</table>
Learning Expectations and Teaching Strategies/Approach

The University is committed to a high standard 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.*

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.utas.edu.au/work-health-safety/

Learning Resources

Prescribed Text


(This text has been used for a number of years and old copies exist, the book store is no longer stocking the text.

Recommended Texts


Bishop, S., Faff, R., Oliver, B. and Twite, G., Corporate Finance (edition 5) Pearson Education Australia, 2004


Frino, A., Kelly, S., Comerton-Forde, C., Cusak, T. and Wilson, K. Introduction to Corporate Finance Pearson Education Australia, 2004

**Journals and Periodicals**

Several journals and financial publications are available in the library. These are a useful resource for those who wish to do additional study.

**Useful Websites**

- St Louis Federal Reserve
- New York Federal Reserve.

Use Google or a search engine for your project, but reference sites you quote from. Wiki is useful for information but not an authoritative reference.

**My Learning Online (MyLO)**

This unit is [web supported/web dependent/fully online], and access to the online MyLO unit is required. Log into MyLO at: http://www.utas.edu.au/learning-teaching-online and then select BEA651 Corporate Finance from the list of units. For help using MyLO go to http://www.utas.edu.au/learning-teaching-online/new-mylo/home.

**Technical requirements for MyLO**

For help and information about setting up your own computer and web browser for MyLO, see: http://uconnect.utas.edu.au/

You can access the University network and MyLO via a laptop computer or other mobile device. See: http://uconnect.utas.edu.au/una.htm

MyLO can be accessed in the Library computers and in computer labs. See: http://www.utas.edu.au/it/computing-distributed-systems/computer-labs-facilities-and-locations

For further technical information and help, contact the UTAS Service Desk on 6226 1818 or at http://www.utas.edu.au/service-desk/

**MyLO Expectations**

1. Students are expected to maintain the highest standards of conduct across all modes of communication, either with staff or with other students. Penalties may be imposed if the Unit Coordinator believes that, in any instance or mode of communication, your language or content is inappropriate or offensive. MyLO is a public forum. Due levels of respect, professionalism and high ethical standards are expected of students at all times.
BEA651 Corporate Finance – Unit Outlines, S1, 2014

2. Submission of assessment tasks via MyLO presumes that students have read, understood and abide by the requirements relating to academic conduct, and in particular, those requirements relating to plagiarism. All work submitted electronically is presumed to be “signed-off” by the student submitting as their own work. Any breach of this requirement will lead to student misconduct processes.

3. MyLO is an Internet service for teaching and learning provided by the University. It is expected that at least once a day students will check MyLO.

**Student Feedback via eVALUate**

At the conclusion of each unit students will be asked to provide online responses to a number of matters relating to the learning and teaching within that unit. All students are asked to respond honestly to these questions, as all information received is used to enhance the delivery of future offerings.

**Changes to this Unit Based on Previous Student Feedback**

Critiquing other student’s presentations did not prove to be a successful learning tool. It has been replaced by an in class mark based on each team response to the presenting team.

**Details of Teaching Arrangements**

**Lectures**

Lectures are held weekly, beginning in week 1 in the Commerce and Economics Building.

Wednesday 9:00am to 10:50am in SB Life Science106

While the lecture notes are available via MyLO, most of the diagrams (of which there are many) and other concepts cannot be easily understood just be reading the lecture notes. In fact some of the diagrams are incomplete and will be completed and labelled in the lectures. Attendance at lectures is required to understand all the financial concepts and diagrams.

**Workshops**

Workshops are in the first instance designed to improve your understanding of the unit’s material and provide a guide for when you commence your case study. To benefit most from them, you should come well prepared and should already have attempted any workshop exercises or read the relevant case study. Solutions to any workshop exercises will be put on MyLO a few days after the last workshop for the week is held.

The second part of the workshops is reserved for student case study presentations and critiquing. While attendance is not compulsory for all presentations, students have found supporting other student presentations to be valuable. Workshops (WS) are held weekly, beginning in week 2.

WS1 – Wednesday 11:00am to 11:50am : SB.AX33.L02.204 (SB.Comm204 Tutorial Room)
Communication, Consultation and Appointments

*Email Correspondence:*

Students are also expected to check their UTAS email site on a regular basis (at least three times a week). Students submitting requests or queries to staff via email should provide very clearly their: *Family name: Preferred name; Student ID; Unit code (i.e. BEA651)* and allow teaching staff at least **two (2) business days** to reply. Staff are not required to respond to emails in which students do not directly identify themselves, which are threatening or offensive, and that come from external (non-UTAS) email accounts. Students are advised not to have their UTAS email forwarded to an external email service (such as Gmail or Hotmail). In the past there have been significant issues where this has occurred, resulting in UTAS being blacklisted by these email providers for a period of up to one month.

*MyLO News:*

Students are required to check MyLO on a regular basis. The course site on MyLO will be updated regularly with course material and helpful resources. All lectures notes, problem sets for tutorial as well as solutions will be posted on MyLO.

*Consultation and Appointment:*

Tuesday 11.00am – 12.00noon  
Thursday 10.00am – 12.00noon  
All other times by appointment.

To arrange an appointment email Norton.Grey@utas.edu.au at least a day in advance and wait for a response confirming your appointment.

Assessment

**Assessment Schedule**

<table>
<thead>
<tr>
<th>Component</th>
<th>Due date</th>
<th>Weighting</th>
<th>Learning Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid Semester Test</td>
<td>Week 7, Wed 9 April, 9:00am Lecture</td>
<td>20%</td>
<td>LO1, LO2, LO3</td>
</tr>
<tr>
<td>Case Study</td>
<td>Commencing in week 8, relevant workshops</td>
<td>20%</td>
<td>LO1, LO2, LO3</td>
</tr>
<tr>
<td>Class participation in Case Study</td>
<td>Commencing in week 8, relevant workshops</td>
<td>10%</td>
<td>LO1, LO2, LO3</td>
</tr>
<tr>
<td>Examination</td>
<td>Examination Period</td>
<td>50%</td>
<td>LO1, LO2, LO3</td>
</tr>
</tbody>
</table>
### Assessment Item 1 – Mid Semester Test

**Task Description:** Multiple Choice Test  
**Task Length:** One Hour  
**Assessment Criteria:** Not applicable  
**Link to Unit's Learning Outcomes:** LO1 – LO3  
**Due Date:** Week 7 Wednesday 9 April, 9:00am lecture  
**Value:** 20%

### Assessment Item 2 – Case Study

**Task Description:** Case Study (*preferably as a member of a team max 5, usually 3 students*)  
Each case study presentation is expected to be 30 minutes in length (with an allowance of 5 minutes either side). A copy of the case study firstly must be submitted to the Drop Box for the lecturer to grade. An additional copy must be placed on the Discussion Board for the Critiquing teams to access. When placing your presentation on the Discussion Board please name your Case Study clearly.  
**Task Length** I have opted for teams as most corporate financial decision making is a group process and team work is a valued career skill. Team members may not be awarded the same grade if discussion between the lecturer and the team reveal unequal effort.  
The critiquing team members may then have 10 minutes to ask the presenting team any questions.  
**Assessment Criteria:** The 20% grade will be split equally between the written report and verbal presentation.  
**Link to Unit's Learning Outcomes:** LO1 – LO3  
**Due Date:** Starts in Week 8, case topics will be assigned in Week 5.  
**Value:** 20%
Assessment Item 3 – Critiques

**Task Description:** All teams are required to critique each case study. Each presenting team will be required to read all cases, critique and ask relevant questions of the team presenting on the day. Therefore a member of each team should be present at the case study presentations, or all of the team can attend. To obtain a copy of the presentation please download the Case Study from the Discussion Board on MyLO.

**Task Length** The critiquing team member(s) may then have 10 minutes to ask the presenting team any questions. The mark derived will be based on all the presentation critiques.

**Link to Unit’s Learning Outcomes:** LO1 – LO4

**Due Date:** Starts in Week 8.

**Value:** 10%

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Assessment Item 4 – Examination

**Task Description:** Answer FIVE (5) out of NINE (9) questions. Each question worth 20 marks.

**Task Length** 2 hours

**Link to Unit’s Learning Outcomes:** LO1 – LO3

**Due Date:** Examination period

**Value:** 50%

Your final examination for this unit will be held during the scheduled examination period as indicated by Student Administration in correspondence to you.

Examinations will normally be scheduled Monday to Saturday inclusive. Examinations may be held during the day or evening and students should consult the university information which will be made available towards the end of semester.

You are advised to make any necessary arrangements with employers now for time off during the examination period to sit this examination. Your participation at the scheduled time is not negotiable unless there are exceptional circumstances. **Note** that you will be expected to sit the examination at your recorded study centre. To find out more go to the Exams Office website: [http://www.utas.edu.au/exams/home](http://www.utas.edu.au/exams/home).
How Your Final Result Is Determined.

As per assessment schedule and the weighting indicated. Students are required to obtain a minimum of 50% to pass the unit.

Submission of Assessment Items

Lodging Assessment Items

Assignments must be submitted electronically through the relevant assignment drop box in MyLO. All assessment items must be handed in by 2.00pm on the due date. Where appropriate, unit coordinators may also request students submit a paper version of their assignments.

All assignments must have a TSBE Assignment Cover Sheet, which is available as a blank template from the TSBE website: [http://www.utas.edu.au/business-and-economics/student-resources]. All assignments must include your name, student ID number, tutorial day/time, and your tutor's name. If this information is missing the assignment will not be accepted and, therefore, will not be marked.

Please remember that you are responsible for lodging your assessment items on or before the due date. We suggest you keep a copy. Even in 'perfect' systems, items sometimes go astray.

Late Assessment and Extension Policy

In this Policy

(a) ‘day’ or ‘days’ includes all calendar days, including weekends and public holidays;

(b) ‘late’ means after the due date and time; and

(c) ‘assessment items’ includes all internal non-examination based forms of assessment

2. This Policy applies to all students enrolled in the Tasmanian School of Business and Economics Units at whatever Campus or geographical location.

3. Students are expected to submit assessment items on or before the due date and time specified in the relevant Unit Outline. The onus is on the student to prove the date and time of submission.

4. Students who have a medical condition or special circumstances may apply for an extension. Requests for extensions should, where possible, be made in writing to the Unit Coordinator on or before the due date. Students will need to provide independent supporting documentation to substantiate their claims.

5. Late submission of assessment items will incur a penalty of 10% of the total marks possible for that piece of assessment for each day the assessment item is late unless an extension had been granted on or before the relevant due date.

6. Assessment items submitted more than five (5) days late will not be accepted.

7. Academic staff do NOT have the discretion to waive a late penalty, subject to clause 4 above.
Academic Referencing and Style Guide

In your written work you will need to support your ideas by referring to scholarly literature, works of art and/or inventions. It is important that you understand how to correctly refer to the work of others and maintain academic integrity.

Failure to appropriately acknowledge the ideas of others constitutes academic dishonesty (plagiarism), a matter considered by the University of Tasmania as a serious offence.

The appropriate referencing style for this unit is: the Harvard style. For information on presentation of assignments, including referencing styles: http://utas.libguides.com/referencing

Review of Assessment and Results

Review of Internal Assessment

It is expected that students will adhere to the following policy for a review of any piece of continuous/internal assessment. The term continuous/internal assessment includes any assessment task undertaken across the teaching phase of any unit (such as an assignment, a tutorial presentation, and online discussion, and the like), as well as any capstone assignment or take-home exam.

Within five (5) days of release of the assessment result a student may request a meeting with the assessor for the purpose of an informal review of the result (in accordance with Academic Assessment Rule No. 2 Clause 22 – www.utas.edu.au/university-council/university-governance/rules). During the meeting, the student should be prepared to discuss specifically the marks for the section(s) of the marking criteria they are disputing and why they consider their mark(s) is/are incorrect. The assessor will provide a response to the request for review within five (5) days of the meeting.

If the student is dissatisfied with the response they may request a formal review of assessment by the Head of School, with the request being lodged within five (5) days of the informal review being completed. A Review of Internal Assessment Form must be submitted with the formal review (http://www.studentcentre.utas.edu.au/examinations_and_results/forms_files/review_of_assessment.pdf).

Review of Final Exam/Result

In units with an invigilated exam students may request a review of their final exam result. You may request to see your exam script after results have been released by completing the Access to Exam Script Form, which is available from the TSBE Office, or at the following link – http://www.utas.edu.au/business-and-economics/student-resources. Your unit coordinator will then contact you by email within five (5) working days of receipt of this form to go through your exam script. Should you require a review of your final result a formal request must be made only after completing the review of exam script process list above. To comply with UTAS policy, this request must be made within ten (10) days from the release of the final results (in accordance with Academic Assessment Rule No. 2 Clause 22 – www.utas.edu.au/university-council/university-governance/rules). You will need to complete an Application for Review of Assessment Form, which can be accessed from www.studentcentre.utas.edu/examinations_an_results/forms_files/review_of_assessment.pdf. Note that if you have passed the unit you will be required to pay $50 for this review.

The TSBE reserves the right to refuse a student request to review final examination scripts should this process not be followed.
Further Support and Assistance

If you are experiencing difficulties with your studies or assessment items, have personal or life-planning issues, disability or illness which may affect your study then you are advised to raise these with your lecturer or tutor in the first instance.

If you do not feel comfortable contacting one of these people, or you have had discussions with them and are not satisfied, then you are encouraged to contact the Director of Undergraduate Programs:

Name: Dr Rob Hecker
Room: Room 307, Level 3, Commerce Building
Phone: (03) 6226 1774
Email: Rob.Hecker@utas.edu.au

Students are also encouraged to contact their Undergraduate Student Adviser who will be able to help in identifying the issues that need to be addressed, give general advice, assist by liaising with academic staff, as well as referring students to any relevant University-wide support services. Please refer to the Student Adviser listings at www.utas.edu.au/first-year/student-advisers for your advisers contact details.

There is also a range of University-wide support services available to students, including Student Centre Administration, Careers and Employment, Disability Services, International and Migrant Support, and Student Learning and Academic Support. Please refer to the Current Students website (available from www.utas.edu.au/students) for further information.

If you wish to pursue any matters further then a Student Advocate may be able to assist. Information about the advocates can be accessed from www.utas.edu.au/governance-legal/students-complaints.

The University also has formal policies, and you can find out details about these policies from the following link – www.utas.edu.au/governance-legal/student-complaints/how-to-resolve-a-student-complaint/self-help-checklist.

Academic Misconduct and Plagiarism

**Academic misconduct** includes cheating, plagiarism, allowing another student to copy work for an assignment or an examination, and any other conduct by which a student:

(a) seeks to gain, for themselves or for any other person, any academic advantage or advancement to which they or that other person are not entitled; or

(b) improperly disadvantages any other student.

Students engaging in any form of academic misconduct may be dealt with under the Ordinance of Student Discipline. This can include imposition of penalties that range from a deduction/cancellation of marks to exclusion from a unit or the University. Details of penalties that can be imposed are available in the Ordinance of Student Discipline – Part 3 Academic Misconduct, see http://www.utas.edu.au/universitycouncil/legislation/.

**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:
If you have any doubts about how to refer to the work of others in your assignments, please consult your lecturer or tutor for relevant referencing guidelines, and the academic integrity resources on the web at http://www.academicintegrity.utas.edu.au/ The intentional copying of someone else’s work as one’s own is a serious offence punishable by penalties that may range from a fine or deduction/cancellation of marks and, in the most serious of cases, to exclusion from a unit, a course, or the University.

The University and any persons authorised by the University may submit your assessable works to a plagiarism checking service, to obtain a report on possible instances of plagiarism. Assessable works may also be included in a reference database. It is a condition of this arrangement that the original author’s permission is required before a work within the database can be viewed.

For further information on this statement and general referencing guidelines, see http://www.utas.edu.au/plagiarism/ or follow the link under ‘Policy, Procedures and Feedback’ on the Current Students homepage.
# Study Schedule

<table>
<thead>
<tr>
<th>Week Beg:</th>
<th>Lecture</th>
<th>Lecture Readings*</th>
<th>Workshop**</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Week 1</strong> 26 Feb</td>
<td>Overview and introduction Consumption, investment and the capital market</td>
<td>Ch01; Ch02</td>
<td>No Workshop Scheduled</td>
</tr>
<tr>
<td><strong>Week 2</strong> 5 Mar</td>
<td>The time value of money Applying the time value of money to security valuation</td>
<td>Ch03; Ch04;</td>
<td>WS1: What is expected of you in a case study</td>
</tr>
<tr>
<td><strong>Week 3</strong> 12 Mar</td>
<td>Project evaluation The application of project evaluation methods</td>
<td>Ch05; Ch06;</td>
<td>WS2: &quot;Tire City&quot;</td>
</tr>
<tr>
<td><strong>Week 4</strong> 19 Mar</td>
<td>Portfolio theory and asset pricing Capital market efficiency</td>
<td>Ch07; Ch17;</td>
<td>WS3: &quot;Butler Lumber Company&quot;</td>
</tr>
<tr>
<td><strong>Week 5</strong> 26 Mar</td>
<td>The cost of capital in project evaluation Leasing and equipment finance Guest lecturer: tba</td>
<td>Ch15; Ch16</td>
<td>WS4: Problem Solving</td>
</tr>
<tr>
<td><strong>Week 6</strong> 2 Apr</td>
<td>Sources of long-term finance: equity Sources of long-term finance: debt</td>
<td>Ch10; Ch11;</td>
<td>WS5: Problem Solving</td>
</tr>
<tr>
<td><strong>Week 7</strong> 9 Apr</td>
<td>Mid-term test: L01-L03&quot; Sources of short-term debt</td>
<td>Ch09;</td>
<td>Team preparation</td>
</tr>
<tr>
<td><strong>Week 8</strong> 16 Apr</td>
<td>Principles of capital structure Capital structure decisions</td>
<td>Ch13; Ch14;</td>
<td>Dell and Loewen Case Studies</td>
</tr>
</tbody>
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**Mid Semester Break 18 April to 28 April 2014**

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**Week 9** 30 Apr | Futures contracts Options and contingent claims | Ch18; Ch19;       | Continental and FPL Case Studies |
| **Week 10** 7 May | Dividend and share repurchase decisions Analysis of takeovers | Ch12; Ch20;       | Marriot (A) and SELF Case Studies |
| **Week 11** 14 May | Management of short-term assets Inventory management | Ch22; Ch23;       | Mereck and Marriot (COC) Case Studies |
| **Week 12** 21 May | Liquidity management Accounts receivable management | Ch24; Ch25;       | Netscape and Gulf Oil Case Studies |
| **Week 13** 28 May | International financial management REVISION                  | Ch21;             | Putting it all together |

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Reading is to be completed before the lecture. Students will be encouraged to interact in lectures and are expected to be aware of the background material for case studies. The workshop schedule will follow the areas and concepts of the lecture program. I therefore, strongly advise you to read at least one week ahead of where we are in the semester.

If you are unable due to work or sport commitments to join a team I will consider assigning an individual case to you for presentation to me at a convenient time*