Description: Business Finance II

<table>
<thead>
<tr>
<th>Subject</th>
<th>Cat-nbr</th>
<th>Class</th>
<th>Term</th>
<th>Mode</th>
<th>Units</th>
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<tr>
<td>FIN</td>
<td>2101</td>
<td>60027</td>
<td>6, 2005</td>
<td>EXT</td>
<td>1.00</td>
<td>Toowoomba</td>
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Academic group: FOBUS
Academic org: FOB009
Student contribution band: 2
ASCED code: 081101

STAFFING
Examiner: Boyd Scheuber
Moderator: Martin Hovey

REQUISITES
Pre-requisite: FIN1101

SYNOPSIS
This course extends the material presented in FIN1101. Firstly, some fundamental issues in finance such as the consumption/investment tradeoff and the interaction of that decision with capital markets (under conditions of certainty) are introduced. The arithmetic of mean-variance portfolio theory is then presented. This allows portfolio theory to be developed which then leads into the presentation of the capital asset pricing model together with two important applications. Working capital management issues are then explored in some detail, from various sources. The net present value methodology is then extended into the new and more sophisticated area of real options. The important ‘existence’ issue of an optimal capital structure is then examined by way of the propositions resulting from Modigliani and Miller’s analysis together with some alternative theories of capital structure. Empirical evidence on capital structure is examined and the various theories of capital structure assessed from a practical point of view. Various methods of evaluating the levered firm are then developed with emphasis given to the incidence of taxes. Finally, the interesting and important area of mergers, acquisitions and governance is explored.

OBJECTIVES
On completion of this course students will be able to:

1. explain how a company's manager can make financial decisions that will be supported by all shareholders through the existence of a capital market which in turn determines an optimal investment/dividend policy under conditions of certainty;
2. calculate the necessary measures of risk and return that become the building blocks of mean-variance portfolio theory;
3. understand and apply modern portfolio theory together with the related capital asset pricing model in appropriate circumstances;
4. discuss working capital management in general and in respect of inventory, cash and accounts receivable, and apply techniques/models for the management of these types of working capital;
5. understand that real options are a new and more sophisticated form of net present analysis, where the value of flexibility is taken into account;
6. analyse and advise management in respect of capital structure decisions, including the major theories of capital structure;
7. outline the empirical evidence from recent studies on capital structure and assess the implications of the evidence for the trade-off, pecking order and free cash flows theories;
8. examine the interaction of the investment and financing decisions, and apply techniques for incorporating the effects of the financing decision into capital budgeting; and
9. provide a framework of analysis for mergers and acquisitions and discuss the issues related to corporate control and governance.

**TOPICS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Weighting (%)</th>
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<tr>
<td>1. Consumption, investment and the capital market</td>
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<td>2. Portfolio risk/return analysis</td>
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<td>3. Portfolio theory</td>
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<td>4. CAPM and its applications</td>
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<td>5. Working capital management</td>
<td>10.00</td>
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<td>6. Real options</td>
<td>10.00</td>
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<td>7. Principles of capital structure</td>
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<td>8. Capital structure decisions</td>
<td>8.00</td>
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<tr>
<td>9. Investment and financing decisions</td>
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<td>10. Mergers, corporate control and governance</td>
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**TEXT and MATERIALS required to be PURCHASED or ACCESSED**

ALL textbooks and materials are available for purchase from USQ BOOKSHOP (unless otherwise stated). Orders may be placed via secure internet, free fax 1800642453, phone 07 46312742 (within Australia), or mail. Overseas students should fax +61 7 46311743, or phone +61 7 46312742. For costs, further details, and internet ordering, use the 'Textbook Search' facility at http://bookshop.usq.edu.au click 'Semester', then enter your 'Course Code' (no spaces).


**REFERENCE MATERIALS**

Reference materials are materials that, if accessed by students, may improve their knowledge and understanding of the material in the course and enrich their learning experience.

STUDENT WORKLOAD REQUIREMENTS

<table>
<thead>
<tr>
<th>ACTIVITY</th>
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<tr>
<td>Assessment</td>
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<td>Directed Study</td>
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<td>Private Study</td>
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ASSESSMENT DETAILS

<table>
<thead>
<tr>
<th>Description</th>
<th>Marks out of</th>
<th>Wtg(%)</th>
<th>Due date</th>
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<tbody>
<tr>
<td>ASSIGNMENT</td>
<td>200.00</td>
<td>15.00</td>
<td>23 Nov 2005</td>
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<tr>
<td>EXAM PART A (MULTI-CHOICE)</td>
<td>30.00</td>
<td>30.00</td>
<td>END S6 (see note 1)</td>
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<tr>
<td>EXAM PART B (WRITTEN)</td>
<td>55.00</td>
<td>55.00</td>
<td>END S6</td>
</tr>
</tbody>
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NOTES

1. The examination is scheduled to be held in the end-of-semester examination period. Students will be advised of the official examination date for Exam (Parts A and B) after the timetable has been finalised. The total working time for Exam (Parts A and B) is 3 hours.

IMPORTANT ASSESSMENT INFORMATION

1 Attendance requirements:
   It is the students' responsibility to attend and participate appropriately in all activities (such as lectures, tutorials, laboratories and practical work) scheduled for them, and to study all material provided to them or required to be accessed by them to maximise their chance of meeting the objectives of the course and to be informed of course-related activities and administration.

2 Requirements for students to complete each assessment item satisfactorily:
To complete the assignment satisfactorily, students must attempt all assignment questions. To complete the examination satisfactorily, students must obtain a passing grade.

3 Penalties for late submission of required work:
If a student submits an assignment after the due date without the prior approval of the Examiner, a penalty of 20% of the total marks gained by the student for the assignment will apply for each working day late.

4 Requirements for student to be awarded a passing grade in the course:
To be assured of receiving a passing grade a student must submit all of the summative assessment items, achieve at least 50% in the examination and at least 50% of the available weighted marks for the summative assessment items.

5 Method used to combine assessment results to attain final grade:
The final grades for students will be assigned on the basis of the weighted aggregate of the marks (or grades) obtained for each of the summative assessment items in the course.

6 Examination information:
This is a restricted examination. Candidates are allowed access to specific materials during the examination. The only materials that candidates may use in the restricted examination for this course are: writing materials (non-electronic and free from material which could give the student an unfair advantage in the examination); calculators which cannot hold textual information (students must indicate on their examination paper the make and model of any calculator(s) they use during the examination). It is essential that students attempting this course have a quiet battery-operated non-programmable calculator, such as the Casio fx-82TL scientific calculator, or an equivalent. Students are not permitted to take mobile telephones, pagers or other electronic means of communication into the examination room.

7 Examination period when Deferred/Supplementary examinations will be held:
Any Deferred or Supplementary examinations for this course will be held during the next examination period.

8 University Regulations:
Students should read USQ Regulations 5.1 Definitions, 5.6. Assessment, and 5.10 Academic Misconduct for further information and to avoid actions which might contravene University Regulations. These regulations can be found at the URL http://www.usq.edu.au/corporateservices/calendar/part5.htm. Students should also read the Faculty of Business Guide to Policies and Procedures of the Faculty which can be found at the URL http://www.usq.edu.au/handbook/current/buspolproc.html.

**ASSESSMENT NOTES**

1 Assignments: (i) The due date for an assignment is the date by which a student must despatch the assignment to the USQ. The onus is on the student to provide proof of the despatch date, if requested by the Examiner. (ii) If requested, students will be required to provide a copy of an assignment submitted for assessment purposes. This should be despatched to the USQ within 24 hours of receipt of a request being made. (iii) In accordance with the University's Assignment Extension Policy (Regulation 5.6.1), the Examiner of a course may grant an extension of the due date of an assignment in extenuating circumstances. All applications for assignment extensions must be accompanied by appropriate supporting documentation. Under no circumstances will assignments submitted more than two calendar weeks after the due date be accepted. (iv) Assignments are to be submitted in the appropriate assignment folders. (v) The Examiner will not accept submission of assignments by facsimile.
2 Course Weightings: Weightings of topics should not be interpreted as applying to the number of marks allocated to questions testing those topics in an examination paper. The examination may test material already tested in assignments.

3 Dishonest Actions: (i) Any student who is alleged to have performed a dishonest action relating to any assessment in the course will have a course of action taken against him/her as outlined in the Academic Regulations. (ii) Pieces of assessment should be the work of individual students. Joint pieces of assessment are not permitted unless written approval has been obtained from the Examiner. (iii) Dishonest action in relation to assessment includes: copying or attempting to copy the work of others; use of or attempting to use information prohibited from use in that form of assessment; submitting the work of another as your own; consciously committing acts of plagiarism, that is, taking and using another's thoughts or writings as one's own with intent to deceive, which occurs when paragraphs, sentences, a single sentence or significant parts of a sentence which are copied directly, are not enclosed in quotation marks and appropriately footnoted or referenced in the text; direct quotations are not used, but text is paraphrased or summarised, and the source of the material is not acknowledged by footnoting or other reference in the text.

4 Deferred Examinations: (i) Deferred examinations will be granted based on non-attendance for medical reasons, family/personal reasons, or employment-related reasons. Deferred examinations must be recommended by the Faculty Assessment Coordinator and approved by the Examiner or Moderator or Dean's Nominee. If a deferred examination is granted, students shall sit the deferred examination in the next semester examination period. If, for whatever reason, this deferred examination is not taken then the student will be graded 'F'. (ii) To be eligible for consideration for a deferred examination, students must have submitted a genuine attempt at all mandatory assessment items. (iii) Deferral of an examination CANNOT be granted on an existing deferral in that course. (iv) Requests must be in writing to the Faculty Assessment Coordinator clearly stating student name, student number, current address, course alpha-numeric identifier and name for the examination not attended. (v) Requests MUST BE supported by original or suitably authenticated documentation. (vi) Requests and documentation must be submitted to the Faculty Assessment Coordinator within ten (10) calendar days of the missed examination date. (vii) Requests based on medical reasons must be supported by medical evidence on the appropriate University of Southern Queensland medical certificate or doctor's certificate. A medical certificate must be dated with the same date as the period of illness for which the absence from examination is being sought and clearly indicate the student's name and, if possible, student number (retrospective medical certificates will not be accepted for either assignment work or examinations). Only original or authenticated medical certificates will be accepted. A student's medical condition must be stated clearly (IN ENGLISH). (Certificates stating a student has a 'medical condition' may not be sufficient grounds for deferment of examination). Medical evidence must cover the student for the day(s) of the missed examination(s). (viii) Requests based on family/personal reasons must be supported by a clear statement (IN ENGLISH) from a medical practitioner, counsellor or independent member of the community. (ix) Requests based on employment-related reasons must be supported by a clear statement (IN ENGLISH) from the student's employer. (x) Students who have a medical condition or genuine compassionate or employment-related problems on the day of the examination are advised to obtain the relevant documentary evidence and NOT attempt the examination. If a student makes an attempt at the examination, the assessment item will be marked and a grade awarded. In these cases, a student cannot, after receiving a 'fail' grade, request a deferred examination or special consideration. (xi) Students who have been granted deferred
examinations will not be granted a waiver of prerequisites, without the permission of the Head of Department, in subsequent semesters (if they do not have a passing grade).

**OTHER REQUIREMENTS**

1. Learning Resources: Prescribed text and materials (see above); prescribed reference materials (see above); printed Introductory Book, Study Book/s and Solutions Book; and if available, course Website accessible via USQConnect.