



THE UNIVERSITY
OF QUEENSLAND

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COMM7501 – Finance

St Lucia Campus Semester 2, 2003

Units:	2
Prerequisites:	NIL
Incompatibles:	COMM2501, BSFN7065
Corequisites:	Nil
Assumed Background:	Maths B or equivalent

Contact Information

Description	Name	Office	Phone	Email
Course co-ordinator	Ms K. Benson	Colin Clark (39) Room 322	3365 4348	k.benson@business.uq.edu.au
Lecturer	Dr M. Zhong	Colin Clark (39) Room 344	3365 6181	m.zhong@business.uq.edu.au

1.0 COURSE OVERVIEW

Before attempting this course, students are advised that it is important to complete the appropriate prerequisite course(s) listed on the front of this course profile. No responsibility will be accepted by the School of Business, the Faculty of Business, Economics and Law: or the University of Queensland for poor student performance occurring in courses where the appropriate prerequisite(s) has/have not been completed, for any reason whatsoever.

COMM7501 Finance provides an introduction to corporate financial decision-making and adding value to the firm. The course covers a number of important concepts and provides an introduction to such topics as financial mathematics, short-term financial management, a number of important debt and equity securities and their valuation, project evaluation with emphasis on the discounted cash flow techniques of net present value (NPV) and internal rate of return (IRR), the weighted-average cost of capital (WACC), risk, and the capital asset pricing model (CAPM).

The purpose of the course is twofold:

- It permits those students who wish to concentrate their studies in some other area(s) of business studies to obtain a sound introduction to financial management. The course addresses the principal decisions confronting the financial manager of a firm, namely the acquisition and utilisation of funds for profit, and adding value to the firm.
- For those students who wish to specialise in the finance discipline, the course provides a core upon which further intermediate and advanced aspects of corporate finance can be developed.

The course consists of one 3–hour lecture and one 1–hour tutorial each week.

Students should note well that the theory and practical work cannot be separated. You need to understand the basics of each topic's theory in order to tackle practical questions successfully. In other words, theory forms the foundation of practical work.

The course is of progressive nature. For example, if you do not grasp *Time Value of Money*, you will do worse in *Stock and Bond Valuation Models*. The key to successful completion of this course is to study consistently, allowing on average 10 hours per week. This is the *only formula* to successfully complete Finance. Any problems you have with the course should be brought to the attention of the lecturer as soon as possible. Do not wait for the questionnaire at the end of the semester! The Lecturer is available to answer your questions during consultation hours or through email or telephone (see item 4.3 in this course outline). However, it is best to bring as many questions as possible to the weekly workshop.

2.0 OBJECTIVES

At the completion of this course students are expected to:

- a. understand the objective of the firm, and the key decision rules that stem from this objective;
- b. know, and be able to apply in both familiar and unfamiliar settings, the financial mathematics introduced in this course;
- c. understand the role of short–term financial management in value creation;
- d. identify and describe the characteristics of various debt and equity securities, and be able to apply the appropriate techniques to value these securities;
- e. explain the capital budgeting process and its relevance to the value of the firm;
- f. identify relevant cash flows for capital budgeting purposes;
- g. be able to apply the appropriate capital budgeting techniques in both familiar and unfamiliar settings;
- h. understand the basic concepts of risk in a financial context, and the approaches adopted in finance to minimise this risk;
- i. understand the basic concepts of risk in a financial context, and the approaches adopted in finance to minimise this risk;
- j. understand and apply the capital asset pricing model (CAPM) to determine the cost of equity capital;
- k. understand and apply the weighted average cost of capital (WACC) concept.

3.0 GRADUATE ATTRIBUTES

IN–DEPTH KNOWLEDGE OF THE FIELD OF STUDY

- A comprehensive and well–founded knowledge of the field of study. All of the course objectives combined will lead to a comprehensive introduction to the field of financial management. A comprehensive understanding of the course content will be assessed through examinations.

EFFECTIVE COMMUNICATION

- The ability to collect, analyse and organise information and ideas and to convey those ideas clearly and fluently, in both written and spoken forms.
Satisfactory performance on assessment will require clear communication of your understanding of all aspects of this course. This skill will be developed through preparation of tutorial questions.
- The ability to engage effectively and appropriately with information and communication technologies.
Course materials will be delivered via the Interactive Finance CD. The CD is absolutely required.

CRITICAL JUDGEMENT

- The ability to define and analyse problems.
Tutorial preparation will give practice in the skill of identifying the problem and the appropriate method of solution in finance.

- The ability to evaluate opinions, make decisions and to reflect critically on the justifications for decisions. The ability to critically evaluate statements based on financial theory will be developed in lectures and tutorial questions and will be assessed in examinations.

4.0 TEACHING AND LEARNING MODES

4.1 Lecture/Whole Group Sessions

Time and Locations:

<i>Class Time</i>	<i>Monday 2–5pm (Lecture)</i>	<i>Monday 5–6pm (Tutorial)</i>	<i>Tuesday 10am–1pm (Lecture)</i>	<i>Tuesday 1–2pm (Tutorial)</i>	<i>Tuesday 6–9pm (Lecture)</i>	<i>Tuesday 5–6pm (Tutorial)</i>
Venue	39–105	39–113	39–103	39–103	39–104	39–104

A three hour lecture will be held every week on Monday afternoon. The same lecture will be repeated on Tuesday morning and on Tuesday evening. Students are asked to attend the same lecture throughout the semester. Please sign-on for a lecture time on [my-sinet](#).

PROGRAM SCHEDULE

Teaching week	Date	Topic	Readings / Questions (in bold)
1	28/7–1/8	Objective of the Firm Time Value of Money	CD Unit 1 CD Unit 2 (sections 1–2)
2	4–8/8	Time Value of Money	CD Unit 2 (sections 3–7)
3	11–15/8	Mortgage Loans Working Capital Management	CD Unit 2 (section 8) CD Unit 3 (section 2)
4	18–22/8	Valuation Basics; Valuation Models – Bonds	CD Unit 3 (sections 1, 3–5)
5	25–29/8	Valuation Models – Shares	CD Unit 3 (sections 6–7)
6	1–5/9	Project Evaluation: Relevant Cash Flows / NPV Method / Sensitivity Analysis	CD Unit 4 (sections 1–3)
7	8–12/9	Mid-semester Exam Revision (covering lectures 1–5)	–
8	15–19/9	Project Evaluation: Competing Projects / IRR Method / Continuing Value	CD Unit 4 (sections 4–7)
9	22–26/9	Portfolio Analysis: Statistics Review / Mean–Variance Preferences / Two asset Portfolios	CD Unit 5 (sections 1–3)
10	6–10/10	Portfolio Analysis: Diversification / Efficient Investing	CD Unit 5 (section 4) CD Unit 5 (section 4) CD Unit 6 (section 1)
11	13–17/10	Capital Asset Pricing Model	CD Unit 6 (Sections 2–3)
12	20–24/10	Cost of Capital	CD Unit 7
13	27–31/10	Revision	–

Important Dates

Monday 28 July	Classes begin second semester
29 September – 4 October	MID-SEMESTER BREAK
Monday 11 August	Holiday (Gatton: Royal National Show) GATTON ONLY
Wednesday 13 August	Public Holiday (Exhibition Day)
3 November – 8 November	SWOTVAC
10 November – 22 November	EXAM PERIOD

4.2 Tutorial/Small Group Sessions

A one-hour tutorial will be offered immediately following the lecture and will cover selected tutorial questions from the prior week's lecture. Students are asked to attend the same tutorial throughout the semester.

Tutorial questions are available on the Interactive Finance CD. They are designed to cover the most important aspects of a topic and provide an excellent method of determining whether you have grasped an understanding of the course. The problems will be a useful guide to the general form of examination questions, and are therefore valuable practice and good revision material.

One of the best ways to achieve success in COMM7501 is to get plenty of practice solving financial problems. Study and understand the text and lecture examples, attempt the tutorial questions on a regular basis, and practice answering "theory" questions concisely.

Solutions to calculative tutorial questions will be released from the week after they are covered in the tutorial. It is expected that students attempt every question on the tutorial sheet prior to attending the tutorial. Students are encouraged to participate in discussions of the tutorial questions.

Note: *Where appropriate, additional questions may be posted on WebCT. Solutions will be available on WebCT after all tutorials for the week are completed.

TUTORIAL SCHEDULE

Teaching week	Date	Topic	Activities
1	28/7–1/8	Maths Revision	CD Unit 0 (Q 1–10)
2	4–8/8	Objectives of the Firm Time Value of Money	CD Unit 1 (Q 1–4) CD Unit 2 (Q 1–7)
3	11–15/8	Time Value of Money	CD Unit 2 (Q 8–19)
4	18–22/8	Mortgage Loans Working Capital Management Short Term Debt	CD Unit 2 (Q 20–22) CD Unit 3 (Q 1–6)
5	25–29/8	Bonds	CD Unit 3 (Q 7–11)
6	1–5/9	Shares	CD Unit 3 (Q 12–17)
7	8–12/9	Mid-semester Exam Revision (covering lectures 1–5)	–
8	15–19/9	NPV / Project Evaluation	CD Unit 4 (Q 1–3)
9	22–26/9	Project Evaluation / IRR	CD Unit 4 (Q 4–10)
10	6–10/10	Portfolio Analysis 1	CD Unit 5 (Q 1–6)
11	13–17/10	Portfolio Analysis 2	

			CD Unit 5 (Q 7) CD Unit 6 (Q 1–2)
12	20–24/10	CAPM	CD Unit 6 (Q 3–7)
13	27–31/10	Cost of Capital	CD Unit 7 (Q 1–3)

4.3 Consultation

Teaching staff are there to assist you. All staff members have set consultation times during which you may see them without making an appointment. Consultation times for lectures and tutors are posted on the course website and on individual staff member's doors. Consultation outside of these times is by appointment only.

If you have questions or points that require clarification, you may visit during consultation times, phone, or email to discuss questions during the semester. If staff members are unavailable, leave a message with your name and telephone number or send them an email.

Please be aware that staff members have heavy research workload and may not always be available outside of the set consultation times. The most efficient way to interact with staff members is to meet them during their tutorial session and consultation times.

Consultation times:

Karen Benson: Monday 10–12am.

Maosen Zhong: Thursday 9–10am and 6–7pm.

4.4 Administration

All content related questions and specific questions re the administration of this course should, in the first instance be directed to the course co-ordinator and tutor/s involved in delivery of the course. General administrative questions (for example centrally timetabled exams, room venues, etc) may be addressed to administrative staff on Level 2 of the Colin Clark Building, St Lucia Campus.

4.5 PASS (Peer Assisted Study Sessions)

PASS is not offered in this course.

5.0 RESOURCES REQUIRED AND AVAILABLE

5.1 Prescribed textbooks

Prescribed CD

The Interactive Finance CD can be purchased on the Internet, from the University bookstore, or QU Books shop in Toowong. The CD is absolutely required. Hard-copy of the text portions of the CD is also available but purely optional. Please note that this CD has been updated for 2003. Used copies may not have the same content as the current edition.

This CD contains a fully integrated set of interactive course materials that is highly compatible with this course (although not an exact duplicate of formal lectures). The CD contains animated PowerPoint screen shows, worked examples, self-grading multi-choice quizzes and so on. The CD also contains all tutorial questions for this course. The CD has been completely updated this year. Used copies will not have all material covered in the course.

The examination(s) will require you to apply your knowledge of financial maths. In general, if your knowledge of basic mathematics is poor, you will find this course difficult. Make sure you study Unit 0 on the CD if you think you are mathematically challenged.

5.2 Other references

Although not prescribed for this course, the following sources may provide useful additional reading for some students:

Peirson, G., Brown, R., Easton, S., and P. Howard, 2002, Business Finance, 8th. ed., McGraw–Hill Australia, Sydney. (If you require a textbook to supplement the CD, this is the text to purchase).

Frino, A., Cusack, T. and Wilson, K., 2001, Introduction to Corporate Finance, Prentice Hall, Frenchâ€™s Forest.

Brealey, R., Myers, S., Partington, G., and D. Robinson, 2000, Principles of Corporate Finance, McGraw–Hill Australia, Sydney.

Knox, D. M., Zima, P., and R. L. Brown, 1998, Mathematics of Finance, McGraw–Hill Australia, Sydney.

5.3 WebCT

A WebCT site is maintained for this course at <http://webct.elearn.uq.edu.au>. Students will be able to log in to WebCT using their UQ username/password, i.e. the same one you use to access my.UQ, SI–Net, and student email. If COMM7501 does not appear in your list of enrolled courses on MyWebCT, You should go to <http://www.elearn.uq.edu.au/environments/webct/student/displayst.html> and see if the course is listed there. If it is not, contact the ITS Helpdesk by [email](#) or phone 3365 6000.

For problems with WebCT other than initial access, please contact Karen Benson.

6.0 ASSESSMENT

6.1 Policies

The school abides by the policies set forth by the University. These policies are listed in the Handbook of University Policies and Procedures. These policies may be viewed on the University of Queensland website.

It is the student's responsibility to attend lectures and consult designated course noticeboards for correct and up–to–date information regarding the course, including examination times etc. Relying on fellow students to pass on information may result in incorrect information for which tutorial/lecturing staff will not be held responsible.

6.2 Assessment details

A student's final grade in the course will be determined by the following assessment. Section 6.3 contains details of the process of awarding the final grades.

Assessment Item	Individual/Group	Form of Assessment	Weighting	Date or Due date
1. Midsemester Exam	Individual	1 hour exam	30%	TBA
2. Case Study	Group	Written Report	10%	Mon 6 October, 5pm
3. Final Exam	Individual	2 hour exam	60%	TBA

Exam dates and venues will be announced in lectures and posted on WebCT as soon as they are available.

6.2.1 Midsemester exam

Students will be advised as to the date, time and location of the mid–semester exam as soon as it has been scheduled.

The exam will contain both multiple choice and calculative questions, and will cover the material in Lectures 1–5. More information about the format of the exam will be available in due course.

A student who fails to sit the mid semester exam at the scheduled time will be awarded a mark of zero, unless the course co–ordinator is supplied with documentation satisfactorily explaining the student's absence either prior to or no later than two working days after the mid–semester examination.

If the course co–ordinator is satisfied with the documentation, then

- the weighting of the final examination will increase to 90%.

6.2.2 Case Study

A case study report, to be completed in groups of 3–4 students, will be due on Monday 6 October at 5pm. The case assignment will be distributed in class during week 8. Completed case reports are to be turned in to the BEL Faculty Student Resource Centre on the ground floor of the Colin Clark building.

6.2.3 Final exam

Due to the cumulative nature of Financial Management, the final exam in this course will cover **the entire course**. All final exams will be held during the official examination period.

Any issues regarding the administration of, timetabling of and non attendance at final examinations need to be directed to the University of Queensland Examinations Sections. These issues are not the responsibility of the individual course co-ordinator.

6.2.4 Special Examinations and Deferred Special Examinations

A student who is unable to sit or complete a scheduled examination must apply for a special examination within 7 days of the examination. Applications should be lodged at a Student Centre for submission to the Examinations Section, who will forward it to the appropriate Faculty/School administration. For evidence required and time limits see Assessment Rules 8 (2) and (3) as listed in the University of Queensland Handbook. Faculties will generally approve applications for special examinations under the broad headings medical, compassionate or exceptional circumstances. (Some faculties have delegated to the relevant school the approval authority for special examinations.) All applications are assessed on a case-by-case basis and may require an interview where it is considered necessary to appraise the student's position in more detail. Directors of Studies should identify and provide appropriate advice to students applying repeatedly for special examinations, including referral to Student Support Services and the Disability Program.

A student who has been granted a special examination but is unable to sit for or complete that examination at the prescribed time may apply for a deferred special examination within 7 days of the examination. The student granted a deferred special examination must undertake the examination in the next end of semester or summer examination period. No further deferral will be granted.

6.3 Allocation of Grades

Grades will be allocated according to University-wide standards of criterion Based Assessment.

The following generic descriptors provide a university-wide point of reference for these standards (Note: Each passing grade subsumes and goes beyond the grades lower than it.)

Grade	Description of Grade
1 (Serious Fail)	Fails to satisfy most or all of the basic requirements of the course.
2 (Fail)	Fails to satisfy some of the basic requirements of the course.
3 (Pass Conceded)	Falls short of satisfying all basic requirements for Pass but can be granted concession for deficiencies through : · being close to satisfactory overall, or · having compensating strengths in some aspects of the course, or · having compensating strengths in other courses, or · other mitigating considerations.
4 (Pass)	Satisfies all of the basic learning requirements for the course, such as knowledge of fundamental concepts and performance of basic skills ; demonstrates sufficient quality of performance to be considered satisfactory or adequate or competent or capable in the course.
5 (Credit)	Demonstrates ability to use and apply fundamental concepts and skills of the course, going beyond mere replication of content knowledge or skill to show understanding of key ideas, awareness of their relevance, some use of analytical skills, and some originality or insight.
6 (Distinction)	Demonstrates awareness and understanding of deeper and subtler aspects of the course, such as ability to identify and debate critical issues or problems, ability to solve non-routine problems, ability to adapt and apply ideas to new situations, and ability to invent and evaluate new ideas.

7 (High Distinction)

Demonstrates imagination, originality or flair, based on proficiency in all the learning objectives for the course ; work is interesting or surprising or exciting or challenging or erudite.

Note: Students must complete all items of assessment to a satisfactory standard to achieve a passing grade.

6.4 Student Access to Feedback on Assessment**Policy on Consultation for Progressive Assessment**

Whilst staff members are genuinely sympathetic to assessment grievances, individual reviews of progressive assessment is not feasible on a large scale. Accordingly, following the release of marks, consultation will be strictly limited as follows:

- 1 Students will be seen only in designated consultation hours, or by appointment.
- 2 No consultation will occur on the day of the release of marks.
- 3 The consultation period will be limited.
- 4 Priority at all times will be given to those students who did not achieve the pass mark for that piece of assessment.

Viewing of Final Examination Papers

- Students visit the School of Business Reception area, and complete an Viewing of Examination form.
- The original form is kept by the School Office and a copy is given to the student.
- Completed forms must be submitted to the School Office by the end of the first week of the subsequent semester at the latest.
- Examination papers of those students who have submitted a completed form to the School Office will be available for viewing during the following relevant session.
- The sessions are scheduled as follows: in the case of first semester examinations during the third teaching week in semester two; and in the case of second semester examinations and summer examinations during the third teaching week in the following semester one.
- The only opportunity for students to view their final exam paper is during the above sessions. Exam papers cannot be viewed by approaching individual staff outside of these times, except for December graduands (see below).
- Students completing their final courses in semester two and graduating in December may wish to see their final exam before graduation. Such cases are handled on a case-by-case basis with the individual staff member.
- The location and the hours during which papers may be viewed will be published on the School's website and will be available from the School Reception area.
- The student will be given their exam paper and the suggested answers (or the marking guide) which they may view on site.
- No exam papers may be taken out of the viewing room.
- No bags may be taken into the viewing room.
- At the time of viewing the exam papers, the Course Coordinator or their authorised delegate must be available in the viewing room.

While errors in marking will be corrected, there is no re-grading of exams.

6.5 Appeal Against Results

Should a student feel that the mark allocated does not reflect the standard of her/his work, then she/he is encouraged to discuss the matter with the course co-ordinator. In the event of course-based disputes not being resolved with the course co-ordinator, the student may appeal to the relevant Head of School and then the Director of Studies of the BEL Faculty.

7.0 USE OF DICTIONARIES AT EXAMINATIONS

Students may request the use of dictionaries supplied by the Examinations Section.

Procedures have also been developed to assist students who may need to access a bilingual dictionary during examinations. Contact examinations for details.

8.0 STUDENT MISCONDUCT AND PLAGIARISM

University Policy on Plagiarism is the action or practice of taking and using as one's own, the thoughts or writings of another without acknowledgment.

"Reproduction and presentation of the work of others without acknowledgment is the attempt by an individual to receive credit for the ideas or felicitous language of others."

Students are encouraged to discuss together issues that arise in this course, however, the written work you submit must be entirely your own. Similarly, you must not help another student to cheat by lending assignments (present or past). Under University Statute, cheating constitutes misconduct and the students who have cheated may undergo proceedings and if found guilty, receive a penalty under the Statute.

Please do not plagiarise. Plagiarism is an injustice to your colleagues within the class. Any cases of plagiarism detected in a student's work will be prosecuted fully under the University rules. If you are unsure about the nature of or any issues in relation to plagiarism, please discuss the matter with your supervisor, course co-ordinator, or tutor.

9.0 SUPPORT FOR STUDENTS WITH A DISABILITY

Any student with a disability who may require alternative academic arrangements in the course/program is encouraged to seek advice at the commencement of the semester from a Disability Adviser at Student Support Services.

10.0 COMPUTING FACILITIES

Courses offered by the School of Business extensively utilise the internet and other computer facilities. Students should be familiar with these resources prior to undertaking a course. AskIT, available through the University of Queensland Library, offers computing help and training free to UQ students. Contact the AskIT Desk, Level 2, Duhig Bldg, St Lucia campus for further details.