

Corporate Finance
MNGT 4621
(Core)

Kathy Walsh

Session 2, 2008

Class Dates: 10-11; 13-18 May 2008
Examination: 18 June 2008
Payment Due: 11 April 2008

Course aims / objectives:

This course introduces you to how corporations make financial decisions. There are two types of such decisions:

- How much, and in what specific assets, should the firm invest?
- How should the cash required for the investment be raised?

The answer to the first question is the investment or capital budgeting decision. The answer to the second is its financing decision. The course provides the basic frameworks used in dealing with these questions and their answers. Once these decisions have resulted in assets in place, the firm must consider if and how it may protect their values from fluctuations of economic prices, such as interest rates and exchange rates. We consider a number of methods of risk management, including the use of options.

The course is taught as a general introduction to Finance, with broad coverage of the discipline. The course also provides the (prerequisite) "gateway" to the advanced Finance electives for students who wish to pursue careers as corporate finance managers, portfolio managers, bankers, investment bankers or consultants.

Assessment:

Group assignment:	40%
Final examination (open book, three hours):	60%

Course details / modules:

Each session includes an introduction to the topic, then proceeds with activities such as discussion, exercises and case analyses.

Day 1: Saturday, 10 May 2008 (2.00pm – 8.00pm)

- Unit 1: Introduction
- Unit 2: Mathematics in Finance

Day 2: Sunday, 11 May 2008 (10.00am – 7.00pm)

- Unit 3: Valuation of Stocks and Bonds
- Unit 4: Investment Decisions and Capital Budgeting

Day 3: Tuesday, 13 May 2008 (7:00pm – 10:15pm)

- Unit 5: Diversification

Day 4: Wednesday, 14 May 2008 (7:00pm – 10:15pm)

- Unit 6: The CAPM and Investment Decisions

Day 5: Thursday, 15 May 2008 (7:00pm – 10:15pm)

- Unit 7: Hedging Using Forwards and Futures Contracts

Day 6: Friday, 16 May 2008 (7.00pm – 10:15pm)

- Unit 8: Hedging with Options

Day 7: Saturday, 17 May 2008**(2.00pm – 8.00pm)**

- Unit 9: Capital Structure Part 1
- Unit 10: Capital Structure Part 2

Day 8: Sunday, 18 May 2008**(10.00am – 7.00pm)**

- Workshop: Group Assignment
- Unit 11: Investment Decision and Value-Based Management
- Unit 12: Review

Course materials and text/s:

A set of course notes will be provided.

Academic honesty and plagiarism:

UNSW regards plagiarism as a form of academic misconduct, and has very strict rules regarding plagiarism. For full information regarding policies and penalties and for information to help you avoid plagiarism see: <http://www.lc.unsw.edu.au/plagiarism/index.html>

Plagiarism is the presentation of the thoughts or work of another as one's own.* Examples include:

- direct duplication of the thoughts or work of another, including by copying work, or knowingly permitting it to be copied. This includes copying material, ideas or concepts from a book, article, report or other written document (whether published or unpublished), composition, artwork, design, drawing, circuitry, computer program or software, web site, Internet, other electronic resource, or another person's assignment without appropriate acknowledgement;
- paraphrasing another person's work with very minor changes keeping the meaning, form and/or progression of ideas of the original;
- piecing together sections of the work of others into a new whole;
- presenting an assessment item as independent work when it has been produced in whole or part in collusion with other people, for example, another student or a tutor; and,
- claiming credit for a proportion a work contributed to a group assessment item that is greater than that actually contributed.†

Submitting an assessment item that has already been submitted for academic credit elsewhere may also be considered plagiarism.

The inclusion of the thoughts or work of another with attribution appropriate to the academic discipline does *not* amount to plagiarism.

Students are reminded of their Rights and Responsibilities in respect of plagiarism, as set out in the University Undergraduate and Postgraduate Handbooks, and are encouraged to seek advice from academic staff whenever necessary to ensure they avoid plagiarism in all its forms.

The Learning Centre website is the central University online resource for staff and student information on plagiarism and academic honesty. It can be located at: www.lc.unsw.edu.au/plagiarism

The Learning Centre also provides substantial educational written materials, workshops, and tutorials to aid students, for example, in:

- correct referencing practices;
- paraphrasing, summarising, essay writing, and time management;
- appropriate use of, and attribution for, a range of materials including text, images, formulae and concepts.

Individual assistance is available on request from The Learning Centre.

Students are also reminded that careful time management is an important part of study and one of the identified causes of plagiarism is poor time management. Students should allow sufficient time for research, drafting, and the proper referencing of sources in preparing all assessment items.

* Based on that proposed to the University of Newcastle by the St James Ethics Centre. Used with kind permission from the University of Newcastle

† Adapted with kind permission from the University of Melbourne.

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