FIN221  INTRODUCTORY BUSINESS  6 CP
FINANCE

Pre-requisites: ACCY102, and ECON 111

AUTUMN  2006  Wollongong, Shoalhaven, Bega,
             Batemans Bay, Moss Vale, Loftus

Lecturer and Subject Coordinator

Ms Mara Koplın  School of Accounting and Finance
Room:  40 322  Ph:  42213680  email:  mkoplın@uow.edu.au
Consultation:  
Monday  Time:  11:30-12:30
Tuesday  11:30-12:30
Thursday  10:30-12:30
SECTION A: GENERAL INFORMATION

LECTURE TIMES
Thursday 15:30-17:30 40.HOPE
17:30-19:30 20.5 (Repeat)

TUTORIALS
See university timetable or WebCT Vista site for detailed list.

WORKSHOPS
See university timetable or WebCT Vista site for detailed list.
Workshops are intended to demonstrate the more practical aspects of the subject. Work will be undertaken during the workshop and does not need to be prepared in advance. Workshops are compulsory (see Students Code of Conduct).
Workshops commence in week 2 and finish in week 13.

Public Holidays
If you have a tutorial or workshop that falls on a public holiday, consult the list of tutorial/workshop times and locations in this outline, on the School of Accounting and Finance Notice Board, third floor building 40 or on WebCT Vista and select an alternative time to attend for that week.

Access to Solutions
Solutions for tutorial and workshop problems will be placed on WebCT Vista the week before an assessment task (for example, solutions to week 1-4 tutorials will be released Friday morning of week 4). Students are advised to refer to the solutions provided.

WebCT Vista
There is a web site for this subject. It is open to enrolled students of this subject through the university home page. You use your university username and password. On this site will be posted solutions, announcements, results, and at the lecturers’ discretion, lecture overheads.

BRIEF OUTLINE
This subject provides an introduction to business finance. It includes a critical examination of the theory and practice of corporate financial management, including the capital structure decision, the capital acquisition/disbursement decision, and the investment decision for both current and long term assets. The main focus is on financial decision making, with consideration of risk and returns a fundamental consideration.

STUDENT LEARNING OUTCOMES
Upon completion of this subject students will be able to:
• value projected cash flow streams such as loans, debentures, equity investments, and other contracts.
• model and solve short-term and long-term capital investment decision problems.
• identify and make allowance for the relationship exhibited by financial markets between risk and return.
• identify and measure the costs to the firm of different forms of debt and equity capital.
• evaluate the dividend and financial leverage policies of individual firms.
• build and operate financial models using computer spreadsheets.
• explain lucidly and succinctly selected concepts and tools of corporate finance.

ATTENDANCE REQUIREMENTS
In order to maximise learning outcomes, it is strongly recommended that students attend all lectures. Attendance at tutorials and workshops is compulsory.

PERFORMANCE LEVEL
To be eligible to pass this subject, students must achieve an overall mark of at least 50%, and at least 45% on the final examination.

REQUIRED TEXT(S)
This textbook is available online from the University Bookshop at http://unishop.uow.edu.au/textbooks/

RECOMMENDED
An online study resource has been developed for ‘Business Finance 1’ to help you stay on track this semester. Using interactive questions with personalised feedback, the e-workbook offers unlimited practice of key course concepts to help you increase your understanding and get the grades you want.
To start using the ‘Business Finance 1’ e-workbook, visit www.perdisco.com.au/students and click on ‘Create new account’. The e-workbook costs $29.70 for unlimited access throughout the semester.

BACKGROUND AND FURTHER READING

This is not an exhaustive list of references. Students should also use the library catalogue and databases to locate additional resources.
## SECTION B: ASSESSMENT

### General Criteria

### Summary

<table>
<thead>
<tr>
<th>Task</th>
<th>Weighting</th>
<th>Due Date</th>
<th>Return date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spreadsheet Assignment</td>
<td>10%</td>
<td>27 April</td>
<td>3 weeks later, in tutorials</td>
</tr>
<tr>
<td>Quiz 1</td>
<td>15%</td>
<td>During lecture week 5</td>
<td>2 weeks later, on web</td>
</tr>
<tr>
<td>Quiz 2</td>
<td>15%</td>
<td>During lecture week 10</td>
<td>2 weeks later, on web</td>
</tr>
<tr>
<td>Tutorial preparation &amp; participation</td>
<td>5%</td>
<td>each tutorial</td>
<td>study week</td>
</tr>
<tr>
<td>Final Exam</td>
<td>55%</td>
<td>TBA</td>
<td></td>
</tr>
</tbody>
</table>

NB. Marks may be scaled.

**NB.** To be awarded a Pass or higher grade in this subject, students must achieve at least 45% of the available marks in the final exam.

### Performance grades

<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>HD</td>
<td>High Distinction</td>
<td>85–100%</td>
</tr>
<tr>
<td>D</td>
<td>Distinction</td>
<td>75–84%</td>
</tr>
<tr>
<td>C</td>
<td>Credit</td>
<td>65–74%</td>
</tr>
<tr>
<td>P</td>
<td>Pass</td>
<td>50–64%</td>
</tr>
<tr>
<td>F</td>
<td>Fail (unsatisfactory completion)</td>
<td>0–49%</td>
</tr>
</tbody>
</table>
Assessment Tasks

Task 1: Quizzes

Quiz 1
Date: Lecture of week 5
Weighting: 15%
Length: 60 minutes

Quiz 2
Date: Lecture of week 10
Weighting: 15%
Length: 60 minutes

Quiz details: There will be 2 (two) quizzes for FIN221. These will be held during the lectures. Quizzes will be of 60 minutes duration each. They will include subject matter covered in lectures and/or tutorials and/or workshops. You should study from your notes and tutorial work, supplementing this material with explanations and further example problems from the textbook. The objective is to test your understanding of the material rather than mere memory.

<table>
<thead>
<tr>
<th>Quiz #</th>
<th>Covers chapters:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1, 4, 5</td>
</tr>
<tr>
<td>2</td>
<td>6-11</td>
</tr>
</tbody>
</table>

Task 2: Major Assignment

Due date: 27 April 2006: by 19:20 into assignment box outside 40.322
Return date: 3 weeks after submission
Weighting: 10%
Assignment details

This individual assignment is to be completed using a spreadsheet package (either in the faculty computer laboratory or using your own equipment) and placed in the assignment box outside 40.322 by 19:20 on 27 April 2006.

Question

Malte Corporation recently completed a $400,000, two-year marketing study on whether to introduce a new machine to the market. Based on the results, Malte has estimated that 11,000 of its new machines can be sold annually over the next six years at a price of $9,615 each. Variable costs per machine are $7,400 and fixed costs total $12 million a year. Working capital specifically for this project is estimated to be $2 million.

Start up costs include $40 million to build production facilities and $2.4 million in land. The $40 million investment will be depreciated to zero over 5 years for tax purposes. At the end of the project, the facilities (including the land) will be sold for an estimated $8.4 million. The market value of the land is not expected to change.

Start up costs would also entail fully tax-deductible expenses on $1.4 million. These will be deductible at the end of the first year of production. The tax rate applicable to Malte is 30% and is paid in the year after. The discount rate is 10%.

Required

a) Calculate the NPV and IRR of the project.

b) Redo the spreadsheet with the following (independent) changes (for each change, a new spreadsheet must be printed out):
   i) Sales are down 5%.
   ii) Variable costs increase by 5%
   iii) Both sales decrease by 5% and variable costs increase by 5%
   iv) There is an additional charge to clean up at the end of the project of $250,000 that is tax deductible.
   v) Discuss these changes and their implications. What do they indicate about the risk of the project?

Please Note:

Marks will be awarded for presentation as well as content.

Also attach print-outs showing the formulae used (in the cells) to prepare your spreadsheets (one formula dump only, ie one formula dump for the original data in the Question and not for the changes). The spreadsheet is to do the calculations, not you. All spreadsheets have special functions that allow NPV’s, IRR’s and others to be calculated by the computer with minimal effort on your part.

Submission Requirements

Place of Submission: Assignment box outside 40.322.
Post: No posted assignments will be accepted.
Facsimile: No faxed assignments will be accepted.
Email: No emailed assignments will be accepted.
Assignment cover: Cover sheet required: there is one for FIN221 on the web. If you choose to use the School of Accounting and Finance or Faculty of Commerce cover sheet, clearly note which part of your name is your family name.
The Faculty of Commerce cover sheet can be obtained from the website: http://www.uow.edu.au/commerce/pdf/assignmentcoversheet.pdf
The FIN221 cover sheet is available on the WebCT Vista site.

A duplicate is not required. You must ensure, however, that you have the capacity to provide a duplicate, should this be requested. Problems with computers, software, lost disks etc will not be accepted as excuses for late submissions.

Any assignment submitted after the due date will incur a penalty (2 marks out of the 10 marks allocated per day or part thereof) which may reduce the mark to zero, unless special exemption has been granted.

Exemptions must be applied for prior to the due date.
Collection: During the tutorials, no more than 3 weeks following submission.

**Task 3: Tutorial Participation**

Due date: Each tutorial

Return date: The final tutorial mark will be released the week after tutorials have finished

Weighting: 5%

**Tutorial Attendance**

*Attendance at tutorials is a compulsory requirement (see Students Code of Conduct) of this subject.*

A schedule of the questions to be prepared for the tutorials is attached. These questions must be attempted before the tutorial. Attempted solutions to tutorial problems are to be submitted to tutors as required. Your tutors will provide further details on what is required.

Tutorials begin in week 2 and finish in week 13.

*Your preparation and participation in weekly tutorial discussions will be taken into account when awarding your mark for tutorial work (see above). Marks are not given for attendance only. You must attend your assigned tutorial. I would encourage you to attend an alternate tutorial if you are (on rare occasions) unable to attend your own. However, your tutorial participation assessment will only include attendance at your assigned tutorial (except in the case of public holidays).*

Students will be able to seek help from tutors during consultation times. Tutors will indicate their availability in the first tutorial and their consultation times will be posted on their doors.
Task 4: Final Examination

Date: University examination period

Weighting: 55%

Length: 3 hours 15 minutes

Examination details

This will include subject matter covered in lectures and/or tutorials and/or workshops. You should study from your notes and tutorial work, supplementing this material with explanations and further example problems from the textbook. The objective is to test your understanding of the material rather than mere memory.

PLAGIARISM

Plagiarism means using the ideas of someone else without giving them proper credit. For example, that someone else may be an author, critic, journalist, artist, composer, lecturer, tutor or another student. Unintentional plagiarism can result if you don't understand and use the acceptable scholarly methods of acknowledgement. Whether plagiarism is deliberate or unintentional, the University may impose penalties, which can be very severe. When it is desirable, or necessary, to use other people’s material, take care to include appropriate references and attribution. **Plagiarism will not be tolerated and has led to expulsion from the University.**

Students should visit the following University website and become familiar with the University’s policy on Plagiarism.

### C1 University Policies

Information on the following University Policies can be found at the websites below:

<table>
<thead>
<tr>
<th>Policy</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical objection by students to the use of animal and animal products in coursework subjects</td>
<td><a href="http://www.uow.edu.au/about/policy/ethicalobjectionanimals.html">http://www.uow.edu.au/about/policy/ethicalobjectionanimals.html</a></td>
</tr>
</tbody>
</table>

* see brief explanation of policy below.

### C1.1 Non-discriminatory Language

The Faculty of Commerce supports the University’s policy on the use of non-discriminatory language. It is the responsibility of students to ensure that they understand and abide by this policy. The policy is available at:

http://staff.uow.edu.au/eeo/nondiscrimlanguage.html
C1.2 Special Consideration Policy

The Faculty of Commerce recognises that it has a responsibility to ensure equity and consistency across its subjects for all students. Sometimes, in exceptional circumstances, students need to apply for special consideration in order to complete all assessable work.

The University applies strict criteria to the granting of special consideration. Before applying for special consideration students should carefully read the University’s policy. The policy can be found at:


C1.3 Student Academic Grievance Policy

The Faculty of Commerce aims to provide a fair, equitable and productive learning environment for all its students. The Student Academic Grievance Policy seeks to support the achievement of this goal by providing a transparent and consistent process for resolving student academic grievances.

Any student who has a grievance over a result should obtain a Faculty of Commerce Appeal of Assessment Form from the Schools or the Sub-Dean’s Unit. The student should firstly take the form to the marker/lecturer to discuss the matter and, if the student is still not satisfied, s/he should take the next step as outlined on the form.

Once the grievance has been considered by the Faculty, if the student still feels the situation has not been fully resolved s/he may consult the Dean of Students. However, the Dean of Students can have no input into the academic judgement of the lecturer and can only review the grievance to ensure proper procedure has been followed.

For more information, please consult the policy in full at


C2 FACULTY AND SCHOOL POLICIES

REFERENCING

WHY DO YOU NEED TO REFERENCE?

At University it is necessary to acknowledge the sources of information and ideas that you have incorporated in your assignments. Failure to do this thoroughly may result in accusations of plagiarism: this is the academic equivalent of stealing (because by not acknowledging someone else's work, you are presenting it as your own). Plagiarism is taken very seriously by the University and may result in expulsion from the University.

Referencing is not only about acknowledging other people's work: accurate referencing and lists of references are beneficial when researching a topic as they allow the reader to follow up information and read further into the area. In a sense, references provide readers with clues to help them explore different avenues of a topic. This aspect of referencing will become more valuable to you as you progress in your studies.

There is a correct procedure that must be followed when referencing and using footnotes. Not complying with these set techniques and format will most likely result in loss of marks.

When writing an essay it is easiest to reference as you go, making sure you are writing down all relevant information. This will save hours trying to find the source again in the library.
THE HARVARD SYSTEM OF REFERENCING

The Faculty of Commerce uses the Harvard system of referencing. This system makes use of short references within the body of the text. It is supplemented by a detailed list of references at the end of the text, which provides all the information necessary to find the source material. In-text references include the author and year of publication, and where necessary the page number(s).

*It is the responsibility of students to ensure that they are familiar with the Harvard system of referencing and that they use it accurately in all written work submitted.*

Students should consult the following University Library website for a detailed explanation and examples of the Harvard system of referencing.


CITATION OF ELECTRONIC SOURCES

It is necessary for students to reference all sources used in their written work, including file transfer protocol sites, worldwide web sites, telnet sites, synchronous communications (MOOs, MUDs, IRC, etc.) Gopher sites, and email, Listserv and Newsgroup citations.

*It is the responsibility of students to ensure that they are familiar with the accepted Faculty of Commerce practice for referencing electronic material and that they use it accurately in all written work submitted.*

Students should consult the following University Library website for a detailed explanation and examples of how to reference electronic material.


OCCUPATIONAL HEALTH AND SAFETY WHERE RELEVANT, INCLUDING SAFETY IN LABORATORIES AND ON FIELD TRIPS

C3 SUPPORT SERVICES AND FACILITIES

LEARNING RESOURCE CENTRE

Learning Development offers a range of free services to all enrolled students who wish to improve their academic or English language skills. There are a range of workshops available including: essay writing and editing; reading for assignments; grammar; presentation skills; pronunciation and exam preparation.

For information on language and academic skills workshops, or to make appointments for consultations, please visit the Learning Resource Centre (LRC), Building 19, Ground Floor, Room G102, or Phone 02 4221 3977. For further information visit the website:


FACULTY LIBRARIANS

Each faculty has a Faculty Librarian who is available to help with research related enquiries. Research Help Desk staff are also available in the Library to assist with research needs.

The Faculty Librarians for Commerce can be contacted as follows:
DISABILITY LIAISON OFFICER

The Disability Liaison Officer (DLO) can provide advice on how particular disabilities affect university study and information on resources available at the University for assisting students with disabilities. Students commencing courses are advised to contact the Disability Liaison Officer prior to the beginning of their first session of study.

For further information on services offered, consult the Disability Services website or contact the office.

web address: http://www.uow.edu.au/student/services/ds/
telephone: 42 213445
fax: 42 215667

FACULTY DISABILITY ADVISERS

Faculty Disability Advisers are academic staff who provide assistance and support to students with disabilities within their Faculty and act as an intermediary between the student and the Faculty’s academic and general staff. They provide support, educational advice and referral to appropriate staff on issues related to teaching and learning within the Faculty and the University. Students are advised to communicate specific information about the ways in which their disability affects learning to the Faculty Disability Adviser as soon as possible after enrolment.

The Faculty of Commerce Disability Adviser is Mr. Ron Perrin. Mr Perrin can be contacted as follows:

Office location: Building 40, room 224
email address: ron_perrin@uow.edu.au
telephone: 42 214118

WOOLYUNGAH INDIGENOUS CENTRE

The Woolyungah Indigenous Centre (WIC) provides academic and personal support for Aboriginal & Torres Strait Islander and other indigenous students. The Centre also runs an Indigenous Specific Orientation Program for students who gain entry to the University through the alternative admissions program.

For further information on services offered, consult the Aboriginal Education Centre website or contact the office.

Centre location: Building 30
web address: http://www.uow.edu.au/aec/
Telephone 42 213563
Fax: 42 214244
## SUBJECT SCHEDULE

The lecturer reserves the right to vary the questions by announcement in the lecture.  
RQ: Review Questions found throughout the chapter  P: Problems – at end of chapter

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
<th>Reading (Gitman et al.)</th>
<th>Tutorial Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>20/2</td>
<td>Introduction</td>
<td>Chpt 1</td>
<td></td>
</tr>
</tbody>
</table>
| 2    | 27/2 | Time Value of Money | Chpt 4       | Ch 1: RQ:10, 11, 13, 16, 25  
P: 2, 4, 6           |
| 3    | 6/3  | Risk and Return | Chpt 5           | Ch 4: P: 7, 9, 16, 23, 26, 50, 57 |
| 4    | 13/3 | Interest Rates and Bond Valuation  
Introduction to Share Valuation | Chpt 6 | Ch 5: RQ: 9, 11, 12  
P: 13, 18, 25, 27       |
| 5    | 20/3 | Quiz 1  
Share Valuation continued | Chpt 7 | Ch 6: RQ: 3, 4  
P: 11, 17, 18, 19, 22, (do all bond valuations with semi-annual interest)   |
| 6    | 27/3 | Capital Budgeting | Chpt 7  
Chpt 8 | Ch 7: RQ: 1, 11  
P: 6, 8, 10, 14, 15       |
| 7    | 3/4  | Capital Budgeting Continued | Chpt 9,10      | Ch 8: P: 2, 6, 15, 18, 26         |
| 8    | 10/4 | Cost of Capital | Chpt 11 | Ch 9: P 2, 21  
Ch 10: P:1, 7, 9, 11     |
| 9    | 24/4 | Dividend Decisions  
Anzac Day Holiday Assignment Due | Chpt 12      | Ch 11: RQ: 3  
P: 1, 8, 14, 17, Case       |
| 10   | 1/5  | Quiz 2  
Intro to Leverage and Capital Structure | Chpt 13 | Ch 12: RQ: 6  
P: 2, 3, 7, 14, 18     |
| 11   | 8/5  | Leverage and Capital Structure cont’d | Chpt 13 | Ch 13: RQ: 4, 5  
P: 11, 20,    |
| 12   | 15/5 | Introduction to Hybrid securities | Chpt 16 | Ch 13: P: 17, Case       |
| 13   | 22/5 | Revision | Chpt 16 | Ch 16: RQ: 6, 9  
P: 8, 12, 13, 14    |