Unit Outline*

MGMT8530
Managerial Finance

MBA
Trimester 3, 2011
Crawley

Winthrop Professor Richard Heaney

Business School
www.business.uwa.edu.au

* This Unit Outline should be read in conjunction with the Business School Unit Outline Supplement available on the Current Students web site http://www.business.uwa.edu.au/students
UNIT DESCRIPTION

Introduction
The lecturer for the course is Professor Richard Heaney, PhD (Finance), M.Econ, B.Com (Hons), FCPA, MACS. His research interests include corporate finance, mutual fund performance, corporate governance, financial asset and commodity pricing, derivative pricing and portfolio theory. He has published in internationally recognized journals as well as attracting various forms of external funding including Australian Research Council Discovery grants. He is currently Winthrop Professor of Finance in the Business School at the University of Western Australia. He has held various academic positions at RMIT, the Australian National University and the University of Queensland. Prior to academia he worked as an analyst/programmer and as an accountant.

You are most welcome to take part in the course, Managerial Finance (MGMT8530). This core unit presents a basic set of finance concepts and tools with a focus on the use of these tools to create corporate value. Students who take an active part in this unit will gain an understanding of the way that finance can help with management of various aspects of firm performance, investment choice and financing decisions. They will also get a sense of how these finance tools and concepts might be applied to certain finance business decisions. Towards the end of the trimester, the lectures will focus on more practical problems such as valuing and acquiring a business, managing risk, making international business decisions and managing value creation. While the treatment of these issues is pitched at an introductory level these problems are of considerable practical interest and will tend to generate debate. Students are encouraged to take part in this debate. While some Harvard Case Study material will be used to draw together key concepts toward the end of the course there are plenty of worked examples to go through in class to ensure that the basics are understood.

Unit content
The course is loosely classified into five sections, introduction, financial diagnosis and management, investment decisions, financing decisions and business decisions. The introduction covers value creation from the finance viewpoint and reviews the basic financial reports that companies produce, particularly the balance sheet and the income statement. The financial diagnosis and management topic deals with the concepts of liquidity, operational efficiency and cash flow measurement. Profitability, risk and growth, are also discussed in this section. The investment decisions topic introduces the concept of NPV and it application. The financing decisions topic deals with the determinants of capital structure choice, calculation of cost of capital and the issue of financial securities. The final part of the course is devoted to business decisions such as business acquisitions, risk management, international business decisions and value creation in general. A case study will be completed in this section of the course to highlight the use of valuation in business decisions.

The goal of the unit
The ultimate goal of the unit is to provide managers with an introduction to some of the key concepts of finance, which pervade the management of a modern firm and are critical to value creation. In meeting this goal, it is important to consider the MBA goals set out for the unit.

1. Develop integrative and critical thinking skills and solve problems relevant to business;
2. Develop leadership and strategic capabilities in a local and global context;
3. Develop broad and contemporary knowledge of the subject matter, concepts and techniques of management;
4. Develop effective communication skills to influence and relate to multiple stakeholders across a range of business.
5. Develop skills to work effectively in both independent and team situations.
Learning outcomes

On completion of this unit, you should be able to:

1. Demonstrate the ability to apply, analyse, synthesise and evaluate information from multiple sources to make business decisions;
2. Critically assess and formulate effective strategies in case studies and realistic scenarios by applying strategic thinking competencies that achieve effective innovation and change;
3. Apply practical knowledge and skills across functional and technical areas of management;
4. Critically analyse and question accepted knowledge claims in new, unfamiliar and changing circumstances, and develop alternative frameworks;
5. Demonstrate a high degree of proficiency of written communication in a business context.
6. Demonstrate a high degree of proficiency of oral communication in a business context.
7. Demonstrate competencies to work more effectively in teams.

Educational principles and graduate attributes

In this unit, you will be encouraged and facilitated to develop the ability and desire to:

1. Critically evaluate and solve finance problems;
2. Develop more effective research and communication skills through discussion and argument associated with the teaching materials that are covered in class;

TEACHING AND LEARNING RESPONSIBILITIES

Teaching and learning strategies

The course consists of 12 three hour teaching sessions. Each three hour session will consist of some combination of lectures, problem based learning, group discussion and discussion of project and problem based tasks.

Lectures will be interactive and so it is best if students have read the text before the lecture so that they can take a more active part in the lectures. It is rare that students agree with all that is said in class and, given the nature of the course, concerns should be raised in class and actively discussed.

Problem based learning is a critical part of the course because it is difficult to understand the material covered in class without some practise dealing with reasonably life-like examples. The problems set from each chapter in the text book should be completed at home, though there will be time set aside to discuss the questions and model answers from the previous lecture.

The company valuation based project provides a means of consolidating the material covered in lectures. It is completed in four parts to ensure students receive plenty of feedback along the way to submission of the final project report. Class time will be set aside to deal with specific questions concerning the project. This will be a group project and groups will be allocated a firm for analysis.

A formal presentation will also be completed by one or more students representing each group stating the group recommendation for the company that they have analysed (buy/hold/sell) and justifying this recommendation.

The Harvard case study material provides students with access to an alternative source of information about company valuation, with a strong emphasis on the technical aspects of valuation. It
is best to read the case study material before class and get actively involved in the discussion that takes place in class to get maximum benefit from this material. Each student must submit a 10 page critique of the case study including a valuation of the company discussed in the case study, prior to the class presentation. This submission will be graded on an individual student basis.

The final exam will take 2 hours, plus 10 minutes reading time, and will be invigilated by the University in the normal manner. This will cover all of the material discussed in class. The exam will consist of a series of short case studies designed to draw out student understanding and responses will include both calculation and theory.

Teaching and learning evaluation

You may be asked to complete two evaluations during this unit. The Student Perception of Teaching (SPOT) and the Students’ Unit Reflective Feedback (SURF). The SPOT is optional and is an evaluation of the lecturer and the unit. The SURF is completed online and is a university wide survey and deals only with the unit. You will receive an email from the SURF office inviting you to complete the SURF when it is activated. We encourage you to complete the forms as your feedback is extremely important and can be used to make changes to the unit or lecturing style when appropriate.

The units are periodically evaluated and the feedback from students taken into account when the unit is updated. This course has been completely rewritten this trimester along with the use of a new text book. In general this sort of change arises in response to previous staff and student feedback so it is important to provide feedback through evaluations wherever possible.

Attendance

Participation in class, whether listening to a lecture or getting involved in other activities, is an important part of the learning process, therefore it is important that you attend classes. More formally, the University regulations state that ‘to complete a course or unit students shall attend prescribed classes, lectures, seminars and tutorials’. Where a student, due to exceptional circumstances, is unable to attend a scheduled class, they are required to obtain prior approval of the unit coordinator to be absent from that class. Any student absent from class without having had such absence approved by the unit coordinator may be referred to the faculty for advice and may be required to withdraw from the unit.

CONTACT DETAILS

We strongly advise students to regularly access their student email accounts. Important information regarding the unit is often communicated by email and will not be automatically forwarded to private email addresses.

<table>
<thead>
<tr>
<th>Unit coordinator/lecturer</th>
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</tr>
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<tbody>
<tr>
<td>Name:</td>
<td>Winthrop Professor Richard Heaney</td>
</tr>
<tr>
<td>Email:</td>
<td><a href="mailto:richard.heaney@uwa.edu.au">richard.heaney@uwa.edu.au</a></td>
</tr>
<tr>
<td>Phone:</td>
<td>6488 2902</td>
</tr>
<tr>
<td>Consultation hours:</td>
<td>Thursday afternoon from 2.00pm to 6.30pm</td>
</tr>
<tr>
<td>Lecture dates &amp; times:</td>
<td>Mondays, 6.00pm to 9.00pm</td>
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<tr>
<td>Lecture venue:</td>
<td>BUSN:101 Case Study Room</td>
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TEXTBOOK(S) AND RESOURCES

Unit website
http://www.webct.uwa.edu.au

Required text
Hawawini, G & Viallet, C 2011, Finance for Executives Managing for Value Creation, 4th Edn, South-Western, Cengage Learning, Mason USA.

Software requirements
Students will require access to Microsoft WORD, EXCEL and POWERPOINT (or equivalent) as well as some form of internet browser.

Additional resources and reading material
Students should keep up to date with the financial news either through reading papers like the Financial Review or through access to high quality web sites.

There are a range of additional reference books that students might find useful. These include the latest edition of the following textbooks:

Useful text books in the area of financial management include:


Useful text books in the area of corporate finance include:


Bishop, Crapp, Oliver and Twite, Corporate Finance (latest edition), Pearson Prentice Hall.


Harvard referencing is required for all submitted material and so it useful to access the excellent UWA Web Site dealing with Harvard Referencing at:
<table>
<thead>
<tr>
<th>Week #</th>
<th>Topic</th>
<th>Lecture</th>
<th>Seminar/tutorial/questions</th>
<th>Independent activity (e.g. readings)</th>
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<tbody>
<tr>
<td>1</td>
<td>Introduction, Balance Sheet and Income Statement</td>
<td>29 Aug</td>
<td></td>
<td>Hawawini &amp; Viallet, Chapters 1 and 2</td>
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<tr>
<td>2</td>
<td>Liquidity, operational efficiency and cash flows</td>
<td>5 Sep</td>
<td>2.1, 2.2, 2.4, 2.6</td>
<td>Hawawini &amp; Viallet, Chapters 3 and 4</td>
</tr>
<tr>
<td>3</td>
<td>Profit, risk and growth</td>
<td>12 Sep</td>
<td>3.1, 3.3, 3.7, 4.1, 4.2, 4.4, 4.7, 4.10</td>
<td>Hawawini &amp; Viallet, Chapter 5 and submit group project company background report for project</td>
</tr>
<tr>
<td>4</td>
<td>Net present value and alternative to net present value</td>
<td>19 Sep</td>
<td>5.1, 5.3, 5.4, 5.5, 5.7</td>
<td>Hawawini &amp; Viallet, Chapters 6 and 7</td>
</tr>
<tr>
<td>5</td>
<td>Project cash flows</td>
<td>26 Sep</td>
<td>6.1, 6.2, 6.6, 6.7, 6.10, 7.1, 7.2, 7.3, 7.5, 7.9, 7.10</td>
<td>Hawawini &amp; Viallet, Chapter 8 and submit group project analysis of company annual report</td>
</tr>
<tr>
<td>6</td>
<td>Capital raising and security valuation</td>
<td>3 Oct</td>
<td>8.1, 8.2, 8.3, 8.6, 8.7, 8.10</td>
<td>Hawawini &amp; Viallet, Chapter 9</td>
</tr>
<tr>
<td>Week</td>
<td>Chapter Topic</td>
<td>Date</td>
<td>Pages</td>
<td>supplement/assignment</td>
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<tr>
<td>8</td>
<td>Capital structure</td>
<td>17 Oct</td>
<td>10.1, 10.2, 10.3, 10.6, 10.7, 10.9, 11.2, 11.3, 11.5, 11.7, 11.8, 11.9, 11.10</td>
<td>Hawawini &amp; Viallet, Chapter 11, and submit group project company cost of capital report</td>
</tr>
<tr>
<td>9</td>
<td>Business valuation</td>
<td>24 Oct</td>
<td>12.1, 12.2, 12.3, 12.4, 12.6, 12.9</td>
<td>Hawawini &amp; Viallet, Chapter 12</td>
</tr>
<tr>
<td>10</td>
<td>Risk Management</td>
<td>31 Oct</td>
<td>13.1, 13.3, 13.4, 13.8, 13.10</td>
<td>Hawawini &amp; Viallet, Chapter 13, submit case study report prior to class. The case study will be discussed in class</td>
</tr>
<tr>
<td>11</td>
<td>International business decisions</td>
<td>7 Nov</td>
<td>14.1, 14.2, 14.3, 14.4, 14.5, 14.7, 14.10, 15.1, 15.2, 15.10</td>
<td>Hawawini &amp; Viallet, Chapter 14 and hold group presentations justifying buy/hold/sell recommendations for the group project</td>
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ASSESSMENT MECHANISM

The purpose of assessment

There are a number of reasons for having assessable tasks as part of an academic program. The assessable tasks are designed to encourage you to explore and understand the subject more fully. The fact that we grade your work provides you an indication of how much you have achieved. Providing feedback on your work also serves as part of the learning process.

The group project is broken up into four parts and each of these parts is assessed when submitted via WebCT. (company background (12 Sep), company annual report analysis (26 Sep), company cost of capital (24 Oct) and the final submission of the company project report (14 Nov)). The group project is designed to cover each of the learning outcomes set for the course. A separate presentation is also required from each group and this is to be completed on the second last lecture (7 Nov). The case study report is due on 30 Oct with discussion of the case study taking place during the lecture on the 31 Oct. The final exam will consist of a number of short case studies that students will discuss under examination conditions. The examination focuses on the first and the last of the learning outcomes.

Assessment mechanism summary

<table>
<thead>
<tr>
<th>Item</th>
<th>Weight</th>
<th>Due Date</th>
<th>Remarks</th>
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<tbody>
<tr>
<td>Group Project</td>
<td>25%</td>
<td>Background (12 Sep) – 5%</td>
<td>Submit via WebCT before midnight on the due dates.</td>
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<tr>
<td></td>
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<td>Annual report analysis (26 Sep) – 5%</td>
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<td></td>
<td>Cost of capital (24 Oct) – 5%</td>
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<td></td>
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<td>Final valuation report (14 Nov) – 10%</td>
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<tr>
<td>Group Project</td>
<td>5%</td>
<td>Presentation summarising the key findings</td>
<td>Presentations to the class take place on the second last week of lectures, 7 Nov 2011.</td>
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<tr>
<td>Presentation</td>
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<td>from the project with a recommendation to</td>
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<td></td>
<td></td>
<td>buy, hold or sell shares in the company.</td>
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<tr>
<td>Harvard Case Study</td>
<td>20%</td>
<td>Each individual student will submit a 10</td>
<td>Submit via WebCT before midnight on the due date.</td>
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<tr>
<td>Study report</td>
<td></td>
<td>page critique and valuation based on the</td>
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<td></td>
<td></td>
<td>case study with emphasis on the final</td>
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<td></td>
<td></td>
<td>merger decision. Due on 30/10/2011.</td>
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<tr>
<td>Final exam</td>
<td>50%</td>
<td>TBA</td>
<td>Exam period</td>
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Note 1: Results may be subject to scaling and standardisation under faculty policy and are not necessarily the sum of the component parts.

Note 2: Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning outcomes as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of Business School programs. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the unit.
Assessment components

All submissions are to be double spaced and typed using Times New Roman font and a font size no smaller than 12. All submissions will be via WebCT.

Assessment item #1 – Group Project Company Valuation (25%)

This group project consists of four components that reflect the key tasks underlying the valuation of a company: company background (5%), company annual report analysis (5%), company cost of capital calculation (5%) and final company valuation report (10%). The final group project report is allocated 10% to reflect the additional effort required to draw together each of separate elements in valuing the firm and put together a well written and carefully argued report.

The company background, annual report analysis and cost of capital reports could be completed within 2-4 pages. The final valuation report will require about 10 pages.

Assessment item #2 – Group Project Presentation of Recommendation Based on Submitted Company Valuation report (5%)

Each group will present their recommendation on whether investors should buy, hold or sell shares in their company. The presentation should take the form of an information session for an investment committee and grades will be awarded on both content and quality of presentation.

Harvard Case Study report (20%)

Each individual student will complete a 10 page case study report that is submitted day before the case study discussion lecture (30 Oct). This submission should include a critique of the case study and valuation of the target company in the case. While there is no correct answer, we will discuss some of the key issues that might affect your valuation during discussion in class.

Assessment item #4 – Final Exam (50%)

The final exam is a 2 hour exam with 10 minutes reading time. Details of the final examination will be distributed in lecture time towards the end of semester. The exam will consist of short case studies requiring both calculation and discussion. It will be a closed book exam, but you can bring in 2 A4 pages of notes. Selected formulae will be provided in the exam paper where necessary, but you must bring your own university approved calculator.

Submission of assignments

The project submissions will be via WebCT.

Student Guild

Phone: (+61 8) 6488 2295
Facsimile: (+61 8) 6488 1041
E-mail: enquiries@guild.uwa.edu.au
Website: http://www.guild.uwa.edu.au
Charter of Student Rights and Responsibilities

The Charter of Student Rights and Responsibilities outlines the fundamental rights and responsibilities of students who undertake their education at UWA (refer http://handbooks.uwa.edu.au/undergraduate/poliprocpolicies/StudentRights).

Appeals against academic assessment

The University provides the opportunity for students to lodge an appeal against assessment results and/or progress status (refer http://www.secretariat.uwa.edu.au/home/policies/appeals).