



THE UNIVERSITY OF
WESTERN AUSTRALIA
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Unit Outline*

FINA2221

Introduction To Finance

**Semester 2, 2011
Crawley Campus**

Unit Coordinator: Dr Jing Yu



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>

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UNIT DESCRIPTION

Introduction

Welcome to Introduction to Finance. This is a core unit in all the Accounting and Finance majors but may also be taken as an elective. Managers from all areas of a business are required to make decisions which impact on the business's value. As a first principle course the unit aims to provide you with a basic understanding of finance theory and the ability to apply that theory when making these financial decisions in an uncertain environment. You will be introduced to a range of tools used in financial analysis. You should understand the reasoning behind these tools and be able to apply them to a diverse range of financial problems. The analytical tools examined in this unit will assist you in both your professional and personal life.

The Discipline of Finance

The study of finance involves three inter-related areas:

- (1) money and capital markets;
- (2) investment finance; and
- (3) corporate finance.

The aim of FINA2221 is to introduce you to the basic concepts of investment and corporate finance. The emphasis is on providing you with an appreciation of introductory finance theory and equipping you with the fundamental tools of financial decision-making. The unit also provides some introductory coverage of money and capital markets, since these are central to corporate, investment and financing decisions.

The financial manager seeks to increase the value of the firm by making optimal decisions in the areas of investment policy, financing policy, and dividend policy. The emphasis in FINA2221 is on providing a framework for: i) understanding the workings of financial markets and market participants, and ii) examining the tools and techniques used in optimizing both long and short run investment decisions. (The effect of financing and dividend decisions on firm value is considered in *FINA2222 Corporate Financial Policy*.)

More specifically, in FINA2221 you are introduced to the role of the financial manager as the link between the firm and the capital market, and the alternative sources of finance are evaluated. (The role of options, futures and other derivative securities is dealt with in *FINA2204 Derivatives: Markets and Products* and *FINA3306 Derivatives: Investment Strategies*, while the role of the capital market and financial intermediation is covered further in *FINA3304 Banking Theory and Practice*.) Valuation of financial assets in perfect markets is considered, as is the concept and pricing of risk, which involves an introduction to diversification and portfolio theory. (This area is covered in more depth in *FINA3304 Investment Analysis*, and in *FINA3307 Trading in Securities Markets*.)

A key part of FINA2221 is the evaluation and selection of alternative investment projects. Topics covered include: the basic concepts of financial mathematics; investment evaluation techniques; the use of the Net Present Value (NPV) rule; and project evaluation under uncertainty. (*FINA3326 Applied Financial Management* will consider the international aspects of such issues.)

Unit content

This unit introduces the basic concepts in financial management. The emphasis is on providing an appreciation of introductory finance theory and understanding the fundamental tools of financial decision-making. Topics include: financial mathematics; investment evaluation techniques; capital budgeting; the valuation of both debt and equity securities; risk and return relationships; and diversification and portfolio theory.

The goal of the unit

The broad goals of the unit are:

- to develop an appreciation of the nature of financial decisions;
- to develop familiarity with the analytical techniques useful in making those decisions, especially with respect to the investment decision;
- to appreciate alternative approaches to the valuation of securities and the impact of risk on expected return;
- to be familiar with the role played by financial markets in the pricing of securities and the implications of the efficient market hypothesis (EMH); and
- to excite your interest in the study of finance.

These skills will allow you to identify and evaluate the financial implications of any decisions involving investment of the business's resources with the expectation of future pay-offs. As such, the skills developed in this unit can be applied to decision making in all functional areas of a business.

Learning outcomes

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

1. Understand the objectives of financial management ;
2. Understand the Time Value of Money concept (Financial Mathematics) and apply it to solve financial problems;
3. Be able to evaluate capital investment proposals and understand the implications and limitations of the main evaluation methods;
4. Be able to value both debt and equity securities;
5. Understand the concepts of risk, risk aversion and diversification;
6. Explain the relation between returns and risk proposed by the asset pricing models.

Completion of this unit will also enable enrolment in other finance courses contingent on prerequisites.

Prerequisites

Financial Accounting ACCT1101 is a prerequisite for this unit. In addition, it is assumed that students have an operational efficiency in Excel or another spreadsheet program and have a reasonable proficiency in mathematics and statistics.

Educational Principles and Graduate Attributes

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

- Critically evaluate and solve financial problems;
- Develop more effective communication skills through tutorial discussions and presentations; and
- Demonstrate self-management and independent learning skills through the completion of the prescribed on-line tests.

TEACHING AND LEARNING RESPONSIBILITIES

Teaching and learning strategies

This course makes use of online tests and assignments which enrich the learning experience in addition to lectures and tutorials. The online tests closely follow the lectures so that students can reinforce their understanding of the lectures by practicing in these online tests. Group assignment is intended to develop students' teamwork and self-assessment skills. A reasonable length of time will

be provided in each tutorial to facilitate the groups to discuss on their assignments. The assessment of group assignment comprise of the team assessment based on the tutor's marking and the self-assessment based on SPARK software. In this way, students can now receive timely feedback not only as a team but also as an individual.

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. Units are periodically evaluated and the feedback from students taken into account when the unit is updated.

Attendance

Participation in class, whether it be listening to a lecture or getting involved in other activities, is an important part of the learning process. It is therefore 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'.

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.

Unit coordinator/lecturer	Dr. Jing Yu
Name:	jing.yu@uwa.edu.au
Email:	(08) 6488 1759
Phone:	Thursday 1-2pm; Office Rm 238
Consultation time & venue:	Thursday 3-5 pm
Lecture times:	Wesfarmers Lecture Theatre

Tutors	
Name:	Rony Gabbay
Email:	rony.gabbay@uwa.edu.au
Consultation time & venue:	TBA
Name:	Marcin Gorecki
Email:	marcin.gorecki@uwa.edu.au
Consultation time & venue:	TBA

Name:	Jeremy Tan
Email:	jeremy.tan@uwa.edu.au
Consultation time & venue:	TBA
Name:	John Preiato
Email:	john.preiato@uwa.edu.au
Consultation time & venue:	TBA
Name:	Sheetal Bhundia
Email:	sheetal_bhundia@uwa.edu.au
Consultation time & venue:	TBA

Staff will be available for consultation in accordance with a roster that will be available from the unit web page.

Tutorial registration

Tutorials commence in Week 2 and contribute toward your grade in the unit. Marks will be awarded for attending each tutorial. Moreover, the groups for case study assignment will be formed within the tutorial class.

To register for a tutorial, you need to use the On-Line Class Registration (OLCR) system (<http://www.olcr.uwa.edu.au/>) to submit preferences for a tutorial time. If you are unsure of the OLCR process, please collect a handout from the Accounting & Finance Office or view the on-line version on the OLCR web site. Based on your preferences, you will be assigned to a tutorial class.

Tutorial allocations will be made available via the OLCR. Please ensure you check your allocation as soon as possible after this time in order to know which tutorial to attend in Week 2.

If you need to change your allocated tutorial time or have not yet been allocated a tutorial, you can select a new time in a tutorial that has vacancies by following the links within the OLCR system.

TEXTBOOK(S) & RESOURCES

Unit website

Unit support materials are available in WebCT: <http://webct.uwa.edu.au>. To login to WebCT, you need to supply a valid Person ID and password. Your Person ID is your student number (8 digits) and your password is your PHEME password.

If you are having trouble using WebCT please read the list of Frequently Asked Questions (FAQs), accessible at <http://students.webct.uwa.edu.au/faq>, which describes common login errors and who to contact for further help.

In addition to the web pages, unit email lists are used to send information to students enrolled in a particular unit. Students enrolling late and students who change their enrolment will not be on the list. To update your details, please see the following web page: http://www.bits.biz.uwa.edu.au/students/account_update.htm

Recommended/required text(s)

Berk, J. & DeMarzo, P., “Corporate Finance: Global Edition”, Second Edition, Pearson Education.

The textbook is available from the University Co-op bookshop.

Lecture notes

Soft copies of lecture notes will be made available on WebCT one week before each lecture.

Additional resources & reading material

Financial Calculator

It is not necessary to have a ‘Finance’ calculator to study Finance at UWA. In the ITF test and exam a formulae sheet will be provided and the type of questions which would favor a particular type of calculator will not be asked. However, proficiency with a financial calculator could save time on online tests and tutorial questions (in the same way that a spreadsheet program like Excel will prove useful – more later).

The TI BA II Plus is approved for use in Chartered Financial Analysts (CFA) courses and exams where it would definitely prove useful (many of you may seek this professional qualification on starting employment). Jing Yu’s opinion is that if you are interested in finance and do not have a calculator then this one would be pretty good. However, if you already have a decent scientific/mathematics calculator it would be of marginal benefit. Please note that any brand of financial calculator which is also approved by the university will provide you with similar computational efficiencies.

Other Reference Materials

The following texts are useful alternatives to the main text. Most have been used as the main text in this course in previous years. You may wish to consult some of these texts for an alternative coverage of the material. Copies are held in the Closed Reserve Collection of the Reid Business Library.

Business finance, Peirson, Brown, Eastern, Howard and Pinder, McGraw-Hill.

Corporate finance Bishop, Faff, Oliver and Twite, Pearson Education.

Fundamentals of corporate finance Ross; Westerfield, and Jordan, McGraw-Hill.

Principles of corporate finance Brealey; Myers, and Allen, Franklin, McGraw-Hill.

Principles of managerial finance Gitman, Juchau, and Flanagan, Pearson Education.

UNIT SCHEDULE

Week	Beginning	Lecture Topic(s)	Text Chapter	Tutorial
1	Aug 1	Introduction to ITF & Corporate Finance	Ch 1	
2	Aug 8	Financial Statement Analysis	Ch 2	Tutorial 1
3	Aug 15	Financial Decision Making	Ch 3	Tutorial 2
4	Aug 22	Time Value of Money	Ch 4	Tutorial 3
5	Aug 29	Interest Rates	Ch 5	Tutorial 4
6	Sep 5	Investment Decision Rules	Ch 6	Tutorial 5
7	Sep 12	Capital Budgeting	Ch 7	Tutorial 6
8	Sep 19	Valuing Debt Instruments	Ch 8	Tutorial 7
	Sep 26	Study Break		
9	Oct 3	Valuing Equity Instruments	Ch 9	Tutorial 8
10	Oct 10	Risk, Return & the EMH	Ch 10	Tutorial 9
11	Oct 17	Portfolio Theory	Ch 11	Tutorial 10
		Group assignment to be submitted in Week 11's tutorial SPARK self-assessment due at 11am on 24 October		
12	Oct 24	Portfolio Theory and Review Lecture	Ch 11	Tutorial 11

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.

Assessment mechanism summary

Item	Weight	Due date
WebCT Test 1	7%	Thursday, 8 September 2011, 11:00am
WebCT Test 2	7%	Thursday, 6 October 2011, 11:00am
WebCT Test 3	7%	Thursday, 3 November 2011, 11:00am
Tutorial	5%	On going
Group Assignment	17%	Week 11's tutorial (the week begins on 17 Oct)
SPARK Assessment	<i>Factored in Group Assignment</i>	Monday, 24 October 11:00am
Final Exam	57%	To be advised
<hr/>		
TOTAL	100%	

Note: Under Faculty of Economics and Commerce guidelines, marks in this unit may be subject to scaling.

Assessment components

WebCT Online Tests

There will be four online tests relating to topics covered. These tests are to be accessed via WebCT. You can only take each test **ONCE** until the cut-off date. You must complete the test once you start it. Re-logging into the incomplete test is **NOT** permitted. Unless the valid reasons and corresponding proof are provided, the deadline of each test will not be extended under any circumstances. The duration of each test is 30 minutes. It should be noted that the first WebCT test is used as a trial test and excluded from the final assessment. See the following table for the cut-off dates and coverage of each test.

	Coverage	Due dates	Assessable or not
WebCT Trial Test	Chapters 1 -2	11am, 18 Aug	NO
WebCT Test 1	Chapters 3-5	11am, 9 Sep	YES
WebCT Test 2	Chapters 6-8	11 am, 7 Oct	YES
WebCT Test 3	Chapters 9-11	11am, 3 Nov	YES

Tutorial Attendance

Tutorial participation is important to you benefiting from this course. Your tutor will check the tutorial attendance in every tutorial class. Your tutorial marks will be determined purely by your attendance to your assigned class throughout the semester. However, no tutorial marks will be awarded for attending less than **FIVE assigned** tutorial classes in the whole semester unless valid reasons (such as the University Game and medical certificates) can be provided.

Your tutor will discuss the assigned practice questions in the tutorial classes. You are strongly encouraged to prepare the assigned questions beforehand. Questions assigned for the tutorial classes are available in WebCT in the "Tutorial Program" folder. In addition, after the groups for group assignment are formed in Week 4, 10-minute in each tutorial will be set aside for group discussion on the group assignment. The role of the tutor in the 10-minute discussion is to facilitate the discussion across groups and provide necessary guidance on the group assignment if appropriate.

Team assignment – capital budgeting case

Details will be made available in lectures, tutorials and on WebCT. You can find specific assignment in "Assignment" folder on WebCT. To conduct the group assignment, you will be assigned by your tutor into a group of 4 or 5 persons from within your tutorial group. Groups will be finalised in tutorials during **week 4 tutorial class**. The assignment is to be submitted to your tutor in the **week 11 (the week that begins on 17 October 2011)** tutorial.

Peer feedback and assessment will also be used to allow all team members to comment on and assess the contribution of all team members to the team tasks. To facilitate this we will use SPARK (Self and Peer Assessment Resources Kit).

What is SPARK? SPARK is a tool designed to aid the development of team-skills and enhance the team experience. SPARK has been developed with the purpose to improve learning from team assessment tasks and make the assessments fairer for students. It is used to help students in a very important skill of giving and receiving feedback. By operating from a set framework of criteria, a full understanding of the attributes of your own and others work can be achieved.

What will the assessment involve? There are two parts for you to complete: self and peer assessments. The program will require you to logon, complete your own self-assessment followed by evaluation of your peers.

SPA Factor

Your final team score will be weighted by the final SPA score you receive from your peers. Your SPA score can range from 0.7 to 1.2. This score will then be used to weight your team score. For example, a team scores 80% for all team tasks and two individuals in the team receive peer scores of 1.1 and 0.9.

Individual 1 score = $80 \times 1.10 = 88\%$

Individual 2 score = $80 \times 0.90 = 72\%$

Individuals who fail to complete SPARK will receive a SPA score of 0.7." <https://uwa.sparkplus.com.au>

SAPA Factor

The second factor calculated is the SAPA factor. This is the ratio of a student's own self-assessment rating compared to the average rating of their contribution by their peers. It provides a student with feedback about how the rest of the team perceives the individual student's contribution. For example, a SAPA factor greater than 1 means that a student has rated their own performance higher than they were rated by their peers. Conversely, a SAPA factor less than 1 means that a student has rated their own performance lower than they were rated by their peers.

SPARK assessment:

All students will be given two assessment tasks in SPARK. The first assessment task is a trial assessment and therefore irrelevant to your final assessment. The participation of the first assessment task is highly recommended because it allows you to get familiar with SPARK. The first assessment task will be made available for the period **12 September – 30 September**.

The second assessment task is required for all students and will be used for your final assessment. This assessment task is due at **11 am on 24 October**. All students are expected to fully participate in this task and required to submit valid assessments. Students who do not complete the task will automatically receive a SPA factor of **0.7**. Providing comments for your team members in SPARK is strongly recommended. At all times the unit coordinator retains the right to exercise discretion in relation to application of the SPA factor to the final team mark for all team members. This discretion will base on the comments provided by the team members. The discretion may be exercised particularly in situations where, in the opinion of the unit coordinator, a team member(s) has / have inadvertently or intentionally, misused SPARK.

To learn how to use SPARK, the SPARK registration manuals are available in WebCT in the "SPARK" folder. More information about the use of SPARK will be explained in the lecture. If you have further queries about SPARK, please send an email, using subject title **FINA2221 SPARK** to this address: helpdesk@biz.uwa.edu.au

Submission of assignments

Submit your assignment during the **week 11** (the week that begins on 17 October 2011) tutorial. Note that hand-written assignment is **NOT** accepted. Please remember to attach an Assignment Cover sheet to the front of your assignment. You can download the relevant Assignment Cover sheet from the Business School Current Students web page: <http://www.business.uwa.edu.au/students/assessments>

Submit your final SPARK assessment by **11 am 24 October 2011**.

Final exam

The material covered in the final examination will be drawn from the lecture topics covered throughout this semester. It will comprise **both** multi-choice questions and essay questions. It is a closed-book exam with relevant formulae provided with the exam paper. The duration of final exam is 2 hours plus ten minutes reading time. More details about the format and venue of final exam will be provided on WebCT later in the semester.

Please ensure that you are available to sit the test at the scheduled time. Extra-curricular activities will not provide sufficient grounds for deferrals, except for the few situations provided for in University regulations. Note specifically that requests for deferrals will not be allowed for part-time work commitments. Requests for deferrals are made via the Sub-Dean.

Special examination conditions

Students who require special examination conditions for the mid-semester examination must inform the University's Disability Officer (ph: 6488 3809 or email: uniline@uwa.edu.au) as soon as possible and no later than two weeks before the examination date, to allow adequate time to provide the necessary facilities. The Disability Officer will contact the lecturer-in-charge of the unit to communicate any special requirements.

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/poliproc/policies/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>).

ERROR: syntaxerror
OFFENDING COMMAND: --nostringval--

STACK:

/Title
()
/Subject
(D:20110822150147+08'00')
/ModDate
()
/Keywords
(PDFCreator Version 0.9.5)
/Creator
(D:20110822150147+08'00')
/CreationDate
(bdoran)
/Author
-mark-