

612 Finance

Introduction

612 FINANCE introduces students to the finance function in an organisation. The subject examines the three strategic decisions of finance: what to invest in, how to finance the investment and how to manage the risk associated with the investment. Investment decisions are those in which organisations commit resources. Students learn various methods of valuation which enable them to determine appropriate means of financing investments. Risk management, including how to manage exposure to risk and unexpected changes in the value of investments, is also covered.

Case studies

Real-life case studies are incorporated into the subject to provide opportunities for students to apply theory into practice in an authentic context. Examples of cases include

Stafford, E., A. Chao and K.S. Luchs
Ocean Carriers
 Case #9-202-027
 Harvard Business School Publishing
 18 April 2002

Ruback, R.S.
Marriott Corp: The Cost of Capital
 Case #9-289-047
 Harvard Business School Publishing
 1 April 1999

Mitchell, M.
Debt Policy at UST, Inc.
 Case #9-200-069
 Harvard Business School Publishing
 3 May 2001

Who should attend

- Executives wishing to enhance their general finance skills
- Finance managers seeking to refresh their quantitative and analytical skills
- Decision makers who make investment choices based on risk evaluation

Learning objectives

Upon completion of this subject, students should be able to

- apply appropriate methods for valuing basic financial instruments
- use standardised risk measures to create appropriate discount rates for investments
- employ different methods to estimate the required rates of return on investments
- distinguish between the capital market and the market for real assets
- determine when to use different types of financial securities for financing
- apply capital structure theory to enhance the value of the firm and its investments
- determine the value of the firm according the impact of dividend payments

Delivery method

The subject is delivered online over a 12-week period, with an assigned Professor acting as mentor. The class will comprise students from different countries and industry backgrounds. Practical case studies and discussions help to stimulate learning and knowledge exchange, while an examination at the end of the subject will help students review and apply the knowledge and skills learnt.

Assessment

Case analyses (team and individual)	45%
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Discussion board activities	30%
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Final examination	25%
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Prerequisites

None

Syllabus

Segment 1: Introduction

Students are introduced to the syllabus, the resources and communication tools available within the course.

Segment 2: Valuation in Finance

The segment focuses on the investments a company must make to support the production of goods and services that the company provides to its customers. Students learn to apply the concept of the time value of money. Methods to value basic financial instruments and real capital budgeting exercises are covered. As well, students learn to assess the strengths of the methods used and the weaknesses of apparent alternatives.

Segment 3: Risk

The segment examines different types of financing – debt and equity – and the calculations used to determine discount rates which reflect appropriate levels of risk for the investment. Students learn various methods of estimating the required rates of return on alternative investments and how to assess the strengths and weaknesses of the different techniques.

Segment 4: Financial Securities

Students learn how to distinguish between the capital market and the market for real assets as it relates to the principles of market efficiency and value creation. Given that the objective of investment projects is to add value to the organisation, the segment looks at a range of financing instruments and capital market efficiency. Students learn to determine when to use different types of financial securities for financing positive net present value investments.

Segment 5: Capital Structure

The segment examines the financing decision and touches on some of the factors which must be considered to reach a financing mix. Students learn to apply capital structure theory to enhance the value of the firm and its investments, as well as to appreciate the link between capital structure and the cost of capital. In addition, students learn how to determine the value of the firm under different assumptions about the impact of dividend payments according to the different theories.

Required textbook

Ross, S., R. Westerfield and J. Jaffe. *Corporate Finance* (7th ed). New Jersey: Irwin-McGraw Hill, 2005.

Global Faculty

Subject Author

Professor Christopher Adam
University of New South Wales

Subject Reviewer

Professor Toan Pham
University of New South Wales

U21Global subjects are created by acknowledged experts in their field, usually senior academics who have strong understanding of postgraduate requirements. The subject content is further reviewed by academic specialists who appraise the subject from an independent perspective, ensuring a high-quality, professional product.

612 FINANCE was created for U21Global by **Christopher Adam**, Professor of Finance and Associate Dean (Faculty) at the Australian Graduate School of Management (AGSM), University of New South Wales. Dr Adams teaches in the areas of corporate finance, international finance and corporate governance in the MBA and Executive Education programmes at the AGSM in Australia and Hong Kong. He has served as editor in several journals, including *The Australian Journal of Management* and the *Bond Management Review*. Dr Adam was also Director of the MBA programmes at AGSM, Bond University and University of Sydney.

The subject was reviewed by **Toan Pham**, Associate Professor of Finance at the University of New South Wales, Australia. His teaching and research range from corporate finance to asset pricing and derivatives. He has over 12 years of experience in teaching and course development with distance and online learning programmes. Dr Pham developed and taught undergraduate and graduate courses in banking and finance at the University of New South Wales and its joint Master programmes with leading universities in Beijing and Guangzhou, China.

Professors

Students' progress will be guided by dedicated Professor Facilitators based around the world. They provide an international perspective and impart knowledge through a wealth of experience in their field of specialisation. Our Professor Facilitators will help students make sense of the information to enable students to transform the information into knowledge and creative solutions.



Subhrendu RATH

Subhrendu Rath is an Associate Professor at the Department of Finance and Banking at Curtin University of Technology, Australia, where he has taught since 1994. He headed the department from 2001 to 2004 and from 1996 to 1998. He held a visiting position at Kansas State University from 1998 to 2000. Dr Rath serves on the editorial boards of the *Journal of Entrepreneurial Finance and Business Ventures* and *Australasian Journal of Business and Behavioural Sciences*. He received his PhD in Finance and his MBA from Washington State University.



Nauman FAROOQI

Nauman Farooqi is an Associate Professor at the Commerce Department of Mount Allison University, Canada. He has extensive teaching experience at the MBA and BBA/BCom levels. As an adjunct faculty member at two US-based online universities, Dr Farooqi also teaches online MBA programmes. Dr Farooqi has won numerous awards in recognition of his teaching and research excellence. He received his MBA and PhD in Finance and Marketing from St Louis University, US.