This unit introduces the basic concepts in financial management. Topics include capital markets and sources of finance; financial mathematics; capital budgeting; diversification and portfolio theory; risk and return relationships; and working capital management.
Contact details

<table>
<thead>
<tr>
<th>Unit Web Site URL</th>
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</thead>
<tbody>
<tr>
<td>Lecturer’s</td>
</tr>
<tr>
<td>Email: <a href="mailto:sofyanrambey@mandirisek.co.id">sofyanrambey@mandirisek.co.id</a></td>
</tr>
<tr>
<td>Email: <a href="mailto:options@indosat.net.id">options@indosat.net.id</a></td>
</tr>
<tr>
<td>Phone: 62-21 5263445</td>
</tr>
<tr>
<td>Consultation Hours: 12:00 – 12:30 Saturdays</td>
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<tr>
<td>Room: UWA Faculty Room</td>
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<tr>
<td>Lecture Times: 9:30 – 12:00; 13:00 – 15:00</td>
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<tr>
<td>Lecture Venue: 2nd floor, Building M, UNTAR</td>
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</tbody>
</table>

Your lecturer

Sofyan Rambey Ir, SE, MBA, CLU, ChFC, RFA

Sofyan worked for BankExim (a state-owned bank) for 18 years after completing his BSc in Agricultural Economics. During this time, lastly he was a General Manager, he completed his BSc in Economics at the University of Indonesia and his MBA at John M. Olin School of Business Washington University in St. Louis, USA. He has been teaching International Finance, Equity Securities Analysis and Fixed Income & Derivative Securities, part-time, at his Alma Mater (University of Indonesia) as well as in other schools and universities in Jakarta, Indonesia since 1997, at the graduate levels. In addition, he also has been teaching Investment analysis & Risk management and Financial Derivatives & Innovations at University of Tarumanagara and Indonesian Bankers Institute.

He has passed several Futures and Capital Market competency test and holds the license as a Broker-Dealer, Underwriter, Fund Manager and Futures Broker-Dealer. Due to merger of BankExim with three other state-owned banks in 1999, he then joined BankMandiri as Vice President and in 2002 he was assigned as Vice President at Mandiri Securities (wholly-owned subsidiaries of Bank Mandiri), the largest securities house in Indonesia.

Introduction

Managerial Finance presents a core set of financial concepts and tools which managers need to make sound decisions when considering a wide range of financial problems facing the firm. Students who take this unit will gain a clear understanding of the principles underlying the effective use of financial capital – over time, in an uncertain environment, and when faced with many possible investment projects. Because this is a first principles course at the graduate level, students will gain experience in applying a range of analytical tools and techniques, and have the chance to exercise these tools in diverse problem settings.

A sampling of topics covered in this course (in addition to those listed in the unit description) includes subjects such as: why finance is useful for managers; the financial foundations of the firm; the institutional setting of finance, methods of valuation, as well as a range of contemporary financial issues.
The goal of the unit

Managerial Finance aims to develop in student’s ability to
- understand how managers approach financial problems,
- recognise the fundamental financial component in problems and issues commonly faced by managers,
- identify and break down key financial problems which play a role as determinants of business and organisational outcomes,
- carry out financial analyses of management problems to facilitate management decision making,
- interpret and present the results of finance analysis in a useful format for those non-financial managers, and
- understand the organisation’s interface with the external financial environment.

Broad learning outcomes

On completion of this unit, you should be able to:
- identify and describe the internal and external financial structures of which their organisation is a part,
- assess where and how to finance projects which the firm is considering,
- determine whether or not to undertake a particular investment project,
- understand the relationship between risk and return when evaluating different investments, and
- discuss the pros and cons of various investment vehicles.

Prerequisites

This unit assumes that students have an operational competency in Excel or another spread-sheet and have a basic knowledge of mathematics.

If you are not well prepared in any of the above areas you should make every effort to remedy the situation through undertaking additional refresher courses and/or practice. Do not hesitate to ask for advice.

Software requirements

A spread-sheet and a word processor

Textbook

Recommended/required text(s)

Additional/Suggested/Alternate text(s)


Unit web site
To be advised.

Key dates (Year 2005)

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>09 April, 9:30 am</td>
<td>Session begins</td>
</tr>
<tr>
<td>14 May, 9.30 am</td>
<td>Mid Term Exam</td>
</tr>
<tr>
<td>04 June, 9:30 am</td>
<td>Assignment Due</td>
</tr>
<tr>
<td>Saturday, 18 June, 9:30 am</td>
<td>Final Exam</td>
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</table>
Seminar topics

Managerial Finance is conducted in 8 seminar sessions. This outline gives an overview of the topics covered in each session. It lists the topics of each seminar session and summarises the session’s main activities.

<table>
<thead>
<tr>
<th>Session</th>
<th>Date (Year 2005)</th>
<th>Topic</th>
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<tbody>
<tr>
<td>1</td>
<td>9 April</td>
<td>Introduction to Financial Management</td>
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<tr>
<td></td>
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<td>Consumption, Investment and the Capital Market</td>
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<td>2</td>
<td>16 April</td>
<td>The Capital Market and Sources of Funds</td>
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<td></td>
<td></td>
<td>Financial Mathematics</td>
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<td></td>
<td></td>
<td>The Valuation of Securities and Weighted Average Cost of Capital</td>
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<td>3</td>
<td>23 April</td>
<td>Introduction to Capital Investment</td>
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<td></td>
<td></td>
<td>Working Capital Management</td>
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<td>4</td>
<td>30 April</td>
<td>Review Topics and Discuss Problems in Sessions 1, 2 and 3</td>
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<tr>
<td>5</td>
<td>14 May</td>
<td>Mid-term Exam</td>
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<tr>
<td></td>
<td></td>
<td>Risk, Portfolio Theory and the Capital Asset Pricing Model</td>
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<tr>
<td>6</td>
<td>21 May</td>
<td>Risk, Portfolio Theory and the Capital Asset Pricing Model (continued)</td>
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<td></td>
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<td>Derivative Securities</td>
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<tr>
<td>7</td>
<td>28 May</td>
<td>Derivative Securities (continued)</td>
</tr>
<tr>
<td>8</td>
<td>04 June</td>
<td>Assignment Due</td>
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<tr>
<td></td>
<td></td>
<td>Review Topics and Discuss Problems in Sessions 5, 6 and 7</td>
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<td></td>
<td></td>
<td>Overall Review of Course</td>
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<tr>
<td></td>
<td>18 June</td>
<td>Final Exam</td>
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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. For this reason the GSM has decided not to move to on-line teaching. It is, therefore, important that you attend classes (and be on time).

More formally, the University regulations state that ‘to complete a course or unit a student shall attend prescribed classes, lectures, seminar and tutorials’. Students whose attendance at MBA units has been unsatisfactory will not be granted a pass grade. Two or more missed classes without prior permission from the lecturer is classified as unsatisfactory. Students should not expect to obtain approval to miss more than two classes per unit, unless there are exceptional circumstances.

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 then gives you an indication of how much you have achieved. Providing feedback on your work also serves as part of the learning process.
**Assessment**

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
<th>Due date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Assignment</td>
<td>25%</td>
<td>Refer to schedule of seminar topics</td>
</tr>
<tr>
<td>Midterm Examination</td>
<td>25%</td>
<td>Refer to schedule of seminar topics</td>
</tr>
<tr>
<td>Final Examination</td>
<td>50%</td>
<td>Refer to schedule of seminar topics</td>
</tr>
</tbody>
</table>

**The standard of assessment**

The Graduate School must ensure that the processes of assessment are fair and are designed to maintain the standards of the School and its students. The School follows the University of Western Australia’s grading system

- **HD (Higher Distinction)** 80-100%
- **D (Distinction)** 70-79%
- **CR (Credit Pass)** 60-69%
- **P (Pass)** 50-59%
- **N+ (Fail)** 45-49%
- **N (Fail)** 0-44%

The School awards marks leading to these grades by using the following general criteria which are represented here as an indication of the School’s expectations. These general criteria may be supplemented by specific standards provided with regard to a particular assignment.

**HD** The student has a clear understanding of theory, concepts and issues relating to the subject and is able to adopt a critical perspective. The student is able to clearly identify the most critical aspects of the task and is able to offer a logically consistent and well articulated analysis within the analytic framework presented in the course. The student is able to draw widely from the academic literature and elsewhere but maintains relevance.

**D** The student has a clear understanding of theory, concepts and issues relating to the subject. The student is able to develop an analysis of an issue using the analytic framework presented in the course and is able to identify and evaluate the critical issues. The student is able to draw upon relevant academic and other material.

**CR** The student demonstrates an understanding of the analytic framework developed in the course and a partial understanding of concepts and issues. The student is able to identify some key issues and is able to present a logical discussion, but with some conceptual errors or gaps between analysis and conclusions. The student is able to draw upon an adequate range of references and other materials.

**P** The student generally takes a descriptive rather than analytic approach to the subject. The student is able to demonstrate some understanding of the issues involved but does demonstrate the ability to apply the analytical framework which had been developed in the course. Draws primarily upon course materials for referencing.

**N+** The student is unable to demonstrate that he or she understands the core elements of the subject matter. The student is able to provide some insight into issues but misapplies analytic framework developed in course, omitting key factors and, for example, drawing conclusions which are not related to the preceding discussion.

**N** The student is unable to demonstrate any understanding of the subject matter. Material presented for assessment is unrelated to course framework and shows no effort to identify or address critical aspects of the topic.

The scaling of marks to ensure comparability between classes in an acceptable academic practice. The GSM and Board of Examiners has the right to scale marks where it is considered necessary to maintain consistency and fairness.
Mid Term Test

The Midterm Examination will cover material presented in the first half of the unit. The examination will be of one and a half hours duration and a formula sheet will be supplied.

Assignment

The assignment is to be done in groups of up to four students. The final report is not to exceed 10 typed pages although there is no limit on appendices. You will be given details of this assignment in class.

Final exam

The final examination is 3 hours plus 10 minutes reading time. A formula sheet is supplied. Normally, the final examination covers mainly the material from the second half of the course. You will be advised of the details of this examination prior to sitting.

Submission of assignments

Assignments should be submitted in class on the due date; a standard cover sheet should be used and a receipt will be issued.

Late assignments will attract a penalty of 5% per day. This penalty will be waived by the lecturer only in exceptional circumstances. No marks will be awarded to assignments submitted after other students in the class have had their assignments returned.

Assignments will be returned in class.

Appeals against assessment marks

In the first instance, students are strongly advised to talk informally to the lecturer about the grade awarded.

The University provides the opportunity for students to lodge an appeal against any mark which he or she feels is unfair. Any student making an appeal is under an obligation to establish a prima facie case by providing particular and substantial reasons for the appeal.

There is a 10 day time limit for making any such appeal. An appeal against academic assessment may result, as appropriate, in an increase or decrease in the mark originally awarded. The University regulations relating to appeals and the form on which the appeal should be lodged can be found in the GSM website.

Acknowledgments and plagiarism

In the course of your individual and group work assignments, you will encounter ideas from many sources. These will include journal and newspaper articles, commentaries, books, web sites and other electronic sources, original case sources, lecture materials. All MBA assignments that you submit must acknowledge all the different sources you have used.

Not to acknowledge your sources is plagiarism, a form of dishonesty. Plagiarism is the misappropriation of the work or ideas of others and presenting them as your own. This is reprehensible from both an ethical and legal viewpoint. Neither the School nor the University accepts ignorance or the fact that a student’s previous acts of plagiarism had been undetected as a defence.
In order to avoid engaging in plagiarism it is your responsibility to acknowledge all of your sources in any work submitted for assessment and it is essential that you reference the work of others correctly. Where you quote directly from a source, you must ensure that any direct quotations are placed in quotation marks and are fully referenced. Even when you do not quote directly and are just referring to or expanding on the work of others, you must still acknowledge the sources of your information and ideas. Close paraphrasing in which you change a few phrases around, leave a clause out of a long sentence or put the original sentences in a different order is still plagiarism.

Advice on proper referencing is given below. If you have any doubts concerning appropriate referencing formats or how to acknowledge the work of others correctly, you should seek the advice of your lecturer.

It is GSM policy that no student will profit from plagiarism. Generally, a mark of ‘Fail’ will be recorded for the assignment in which this has occurred, regardless of its other merits or qualities. Serious cases shall be referred to the University’s Board of Discipline. All students should note that cases of copying are automatically reported to the Sub-Dean and documentary evidence along with associated correspondence is placed on the student’s permanent record.

**Referencing**

It is important that the referencing of any sources used in your written work is done properly, if only to substantiate the points you are making in your assignment or project. The Harvard style is the preferred and there are some notes for guidance which have been prepared by the library staff: ‘Citing your sources Harvard Style’ [http://www.library.uwa.edu.au/guides/citingsources/harvard.html](http://www.library.uwa.edu.au/guides/citingsources/harvard.html)

Endnote is a really good system for building up a database of references. Not everyone will want to invest the time in using this system but you should consider it if you intend to build up resource materials or plan to undertake extensive research in a particular area. The library staff have also developed a tutoring package: ‘A Quick Guide to Using EndNote’ which provides the basics for using EndNote with an essay [http://www.library.uwa.edu.au/guides/endnote/tutorial_manual.html](http://www.library.uwa.edu.au/guides/endnote/tutorial_manual.html) This is linked to from the How to Use EndNote page [http://www.library.uwa.edu.au/guides/endnote/](http://www.library.uwa.edu.au/guides/endnote/) which provides more comprehensive information.

**Additional resources and reading materials**

Text book web site


**Journals**

Accounting and Finance
Financial Management/Executive
Journal of Accounting and Economics
Journal of Accounting Research
Journal of Finance
Journal of Financial Economics
Journal of Financial and Quantitative Analysis