

ASSESSMENT GUIDE

BAFN602: Corporate Finance

Semester 1, 2021

Assessment number 1

Assessment Artefact: Research Report

Weighting [25%]

Why this assessment?

- Opportunity to apply theory into practice. Students will apply their theoretical knowledge on a simulated business decision making case of investment analysis.
- The feedback from this assessment will help students to be ready to correct any conceptual misunderstanding and apply in the next assessment.

What are the types of employability skills that I will acquire upon completion of this assessment?

Skill Type	
Developed critical and analytical thinking	<input checked="" type="checkbox"/>
Developed ability to solve complex problems	<input checked="" type="checkbox"/>
Developed ability to work effectively with others	<input type="checkbox"/>
Developed confidence to learn independently	<input checked="" type="checkbox"/>
Developed written communication skills	<input checked="" type="checkbox"/>
Developed spoken communication skills	<input type="checkbox"/>
Developed knowledge in the field study	<input checked="" type="checkbox"/>
Developed work-related knowledge and skills	<input checked="" type="checkbox"/>
Develop effective research skills	<input type="checkbox"/>

Assessment Overview:

Purpose, as written in the EUO

Due date:	3 May 2021 17.00 AEST
Weighting:	25%
Length and/or format:	1500 words
Learning outcomes assessed	LO4
Graduate attributes assessed	GA5, GA6
How to submit:	Via Turnitin
Return of assignment:	Within two weeks of the due date of the assessment
Assessment criteria:	Rubric: see end of document

ASSESSMENT TASK

This is an individual assignment.

A medium-sized Australian printing company ABC Proprietary Limited (ABC) is considering investing in the purchase of one of the two presses designed for high-quality runs. The typical job is characterized by high quality production runs of over 50000 units. The company has failed to keep pace with competition because of inefficiency and old age of current presses. The purchase of a new press would enable the company to reduce the cost of labour, and therefore the cost to clients. As a result, the company expects to regain its competitive position.

Information relevant to the two presses under consideration is as follows:

Current press that the company considers replacing:

Purchased three years ago at an installed cost of \$500,000, depreciated using a straight-line method over a 10-year useful life. The press has a remaining economic life of five years. If sold today, it can fetch \$480,000 before taxes. If retained, the old press can be sold for \$160,000 before taxes at the end of five years.

Press A

Can be purchased for \$840,000 plus \$45,000 in installation costs. It will be depreciated using the straight-line method over a five-year useful life. At the end of five years, the press could be sold for \$410,000 before taxes. If this press is purchased, following current account changes are anticipated to occur:

Cash	+ 30,000
Accounts receivable	+125,000
Inventories	-25,000
Accounts payable	+40,000

Press B

This press is not as sophisticated as Press A. It costs \$650,000 plus \$15,000 in installation costs. It will be depreciated using the straight-line method over a five-year useful life. At the end of five years, it can be sold for \$340,000 before taxes. Acquisition of this press will have no effect on the firm's net working capital investment.

The company estimates that its earnings before depreciation and taxes with the old press and with Press A or Press B for each of the five years are shown in the following table.

Year	Current Press (\$)	Press A (\$)	Press B (\$)
1	125,000	255,000	215,000
2	125,000	275,000	215,000
3	125,000	285,000	215,000
4	125,000	340,000	215,000
5	125,000	280,000	215,000

The company is subject to a 30% tax on both ordinary income and capital gains. The company's cost of capital is 12%. The alternative investments in consideration are mutually exclusive.

Required

Acting as an independent consultant, prepare a report to the management that answers the following questions. (State your assumptions). For calculations, you are suggested to use Excel and copy and paste the Excel output to your Word submission. Alternatively, you can submit your Excel file to the Turnitin drop box provided.

For each of the two proposed replacement presses, determine:

- (i) Initial investment, operating cash flows, terminal cash flows and free cash flows. *(15 marks)*
- (i) Using the data, you developed in a and b above, determine net present value, internal rate of return and payback for each alternative. *(20 marks)*
- (ii) Identify the key qualitative factors that would need to be considered in your decision. How might these qualitative factors be incorporated in your decision model? *(10 marks)*
- (iii) What is the impact on your recommendation of the fact that the operating net cash inflows associated with Press A are characterized as very risky in contrast to the low-risk operating net cash inflows of Press B? *(25 marks)*
- (iv) If this investment alternatives were considered in ABC's operations in India, what would change in your financial and non-financial considerations and selecting the best alternative. *(15 marks)*

Presentation: *15 marks*

Total mark for this assessment is 100 which will be prorated out of 25.

Context

This assessment is concerned with a hypothetical investment decision scenario.

How do I submit?

Assignment must be submitted via Turnitin only.

The assignment should be submitted as a business report which contains a table of contents, an introduction, answers to the questions, the conclusion and references.

Checklist for students to submit along with their assignment.

Submitted the cover sheet which clearly specify each student's full name, student ID and the part he/she completed	<input type="checkbox"/>
Each question is numbered as per the assessment	<input type="checkbox"/>
I have included references using specified referencing style	<input type="checkbox"/>
I used Microsoft Word in Ariel 12 with double spacing	<input type="checkbox"/>
Peer evaluation form of team members is submitted by each student to the NLIC by email	<input type="checkbox"/>
I have checked my Turnitin report to ensure the similarity report is acceptable and explainable	<input type="checkbox"/>
I will be able to supply the process output, if required by my lecturer to prove this my own work (e.g., screen dump of my search and retrieval of journal articles, etc.)	<input type="checkbox"/>
I have completed proof reading and checked for spelling and grammar	<input type="checkbox"/>
I have submitted my work before the due date/time (3 May 2021 17.00 AEST)	<input type="checkbox"/>

- The cover page can be downloaded from the following link:
https://students.acu.edu.au/home/panels/administration/forms/assessment_and_assignment_forms. You may submit cover sheets separately.
- Appropriately cite original work, author(s) etc. Citation and referencing must conform to Harvard referencing format both in the body of the paper and its attached reference section.

Please remember to check the version you are uploading is the final one. Turnitin does not allow you to withdraw and resubmit.

The software used for checking originality compares works submitted by students with published material from a variety of sources including the Internet. A Turnitin score of 10% or greater will be considered cause for concern.

Some Helpful Websites and Resources

Who can help me?

[Academic skills Unit \(ASU\)](#)

When you need any assistance or clarification, you can contact me via email (bulend.terzioglu@acu.edu.au).

<https://leo.acu.edu.au/course/view.php?id=36347¬ifyeditingon=1>

I'm having problems

Due dates will be strictly adhered to. However, in the case of exceptional circumstances, students may apply for extension in the following manner.

In accordance with the ACU Assessment Procedures (para 3).

You may seek extension of submission date for an assessment task prior to the due date by submitting the Application for Extension of time for an Assignment (EX) form.

https://handbook.acu.edu.au/handbooks/handbook_2020/policies_and_general_information/assessment_-_policy_and_procedure/assessment_policy

https://www.acu.edu.au/_data/assets/pdf_file/0011/126668/EX_-_Application_for_Ext_of_Time_for_Submission_of_Assessment.pdf

You may seek up to five working days after the relevant due date by submitting the Special Consideration form.

https://www.acu.edu.au/_data/assets/pdf_file/0010/48493/SC_Application_for_Special_Consideration_20170615.pdf

Assessment tasks submitted after the due or extended date will incur, for each whole or part of a calendar day that the work is overdue, a 5% penalty of the maximum marks available for that assessment task up to a maximum of 15%. Assessment tasks received more than three calendar days after the due or extended date will not be allocated a mark.

Referencing

All referencing should be in ACU Harvard Style.

<https://libguides.acu.edu.au/referencing/harvard>. Please ensure your assignment makes use of in-text citations and a reference list. Missing citations or references is equivalent to plagiarism.

Criteria

The full criteria are compiled in a rubric, which can be found on the following page/s.

Rubric for Assessment 1 (25%)

Relevant LO/GAs	Criterion (related to a single GA from the related LO – one GA per criterion)	Does not meet expectations	Meets expectations			Exceeds expectations	
		NN (0-49)	PA (50-64)	CR (65-74)	DI (75-84)	HD (85-100)	
ULO4 (Weight: 70 marks) GA5, GA6 TL: 5 LS: D	Apply capital budgeting techniques to assess the financial benefits and costs of competing investment projects.	Shows little or no understanding and application of relevant cash flows and appropriate capital budgeting techniques in evaluating competing investment projects. Little or no relevant research.	Shows basic understanding and application of relevant cash flows and appropriate capital budgeting techniques in evaluating competing investment projects. Basic relevant research.	Shows good understanding and application of relevant cash flows and appropriate capital budgeting techniques in evaluating competing investment projects. Adequate relevant research.	Shows excellent understanding and application of relevant cash flows and appropriate capital budgeting techniques in evaluating competing investment projects. Substantial relevant research.	Shows outstanding good understanding and application of relevant cash flows and appropriate capital budgeting techniques in evaluating competing investment projects. Goes beyond the requirements of this assessment. Extensive relevant research above expectations.	
ULO4 (Weight:15 marks) GA5 TL:5 LD:D	Demonstration of effective writing skills. Format and presentation (Clarity, citations, tidiness, grammar, spelling, spacing, paragraphing, page formatting, general presentation)	Unacceptable standards of presentation Many mistakes Lack of proofreading	Satisfactory presentation with an acceptable level of presentation errors.	Good presentation with some presentation errors	Highly developed skills in expression and presentation	Exceptional expression and presentation	
ULO4 (Weight: 15 marks) GA6 TL: 5 LS: D	GA6: Solve problems in a variety of settings taking local and international perspectives into account.	Displays poor grasp of local and international considerations and proposed solutions are of poor standard. Many mistakes in calculations. (>50%)	Displays basic understanding of local and international perspectives, and proposed solutions are barely acceptable. Few obvious mistakes. (50-64%)	In consideration of local and international perspectives, proposed solutions are often logical and well-presented. Calculations are generally correct. (65-79%)	In consideration of local and international perspectives, proposed solution/s proposed are insightful and excellently backed up. Majority of calculations are correct (80-95%)	Solves problems in an outstanding manner going beyond the requirements of this task. All calculations are correct.	

GA – Graduate Attribute; LO – Unit Learning outcome; TL – Taxonomy Level (or level of complexity) (see Bloom's Taxonomy); Learning Stage – Introduced (I), Developed (D), Assured (A)