FIN3CFI Corporate Finance
Assignment due on 10 May 2021

(a) Calculate long-term debt/total assets and long-term debt/equity ratios over the last five years for the company allocated to you (financial year ended from 2015 to 2019). Due to the impact of COVID, we ignore the year 2020. If the company allocated to you does not have long-term debt, contact your subject coordinator by email. B.Balachandran@latrobe.edu.au	**(2.5 marks)**
(b) Compare your firm's long-term debt/total assets and long-term debt/equity ratios with your firm's industry average and discuss the findings. I have provided three industry classifications for each company. You can choose any one of the industry classifications and make sure you have at least 10 companies other than the company allocated to you for industry comparison.	**(2.5 marks)**
(c) Identify a matching firm in your firm's industry with similar size as your firm (use 2019 total assets to choose a matching firm. If your firm does not have data for the financial year end in 2019, use the data for the latest year available). Compare your firm's long-term debt/total assets and long-term debt/equity ratio with your matching firm and discuss the findings.	**(3 marks)**
(d) Briefly discuss the term "Optimal Capital Structure". Does your company have an optimal debt/equity ratio? Use calculations on business risk in your analysis. (Hint: standard deviation of EBIT/Total Assets over 5 years (2015-2019: use the template for calculation in the LMS). Justify your answer. Include citation from journal articles and/or survey papers and references.	**(3 marks)**
(e) Identify one dividend change (interim or final) announcement (note: compare interim to interim to identify changes in interim dividend or final to final to identify changes in final dividend using "dividend history from the DatAnalysis Premium Database" for the company allocated to you. Identify interim announcement date from half yearly report. Identify final announcement date from preliminary final report.	
(i) Calculate • the three-day return earned by your firm for the period from the day before the announcement day to the day after the announcement date; and • the two-day return earned by your firm for the period from the day of the announcement to the day after the announcement date	**(1 marks)**
(ii) Calculate the market return for the corresponding periods in (i).	**(0.5 marks)**
(iii) Calculate the excess return: (i) - (ii)	**(0.5 marks)**
(f) Compare and discuss the relevant theory for the findings of the market reaction to dividend changes in (e(iii)). In your discussion, include signalling hypothesis, free cash flow hypothesis, and the clientele hypothesis. Include citation and references.	**(4 marks)**
Presentation of the report (format and layout; inclusion of graphs to show the trend), citation and references	**3 marks**

Follow the guidelines below to access financial data related to the company allocated to you and companies in the same industry as the company allocated to you.

1. Go to La Trobe Library web page and choose Databases
2. choose DatAnalysis Premium
3. Enter company code or company name of the company allocated to you in the search area and search. Now, you will see all relevant information about your company.
4. choose the **Financial Data** section. Now, you should be able to download data from profit & loss, Balance sheet etc for your firm in excel file.
5. Select - Balance sheet
6. check the sub-heading non-current liabilities to identify "Long Term Debt". If you do not find long term debt, please contact your tutor or subject coordinator.
7. To calculate the industry average - use the document on "**Guidance for computing the industry average**" in the LMS.
8. Use the "Template for Calculation" in the LMS to calculate business risk, industry average etc.