



Victoria Management School

MMBA 516
CORPORATE FINANCE

Trimester 2 - 2005

COURSE OUTLINE

Contact Details

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Class Times and Room Numbers

Thursdays 14:40 – 16:30
RLWY315

Final Examination Period 10 October – 4 November 2005

Course Objectives

The Master of Business Administration Programme serves to produce professional managers capable of fulfilling strategic roles within international business and government enterprises. Integral to this capability is an understanding of the corporate finance within the context of domestic and international financial markets.

This course aims to provide students with a solid theoretical base upon which a practical framework for managing and succeeding in the workplace can be established. The scope of this course is broad. With an initial understanding of financial markets and financial institutions, the major functions of corporate finance will be covered, namely investment analysis utilising net present valuation and real options and financing alternatives involving the analysis of costs and risks and the selection of appropriate risk management techniques. In studying these broad areas, the problems arising from asymmetric information and principal – agent issues will be highlighted. By the end of this course, you should:

1. Have an understanding of the major theories and concepts underlying the corporate finance.
2. Have a sense of how these theories are applicable within the business context.
3. Have a strategic perspective with respect to the linkages and interrelationships in managing corporate finance.

Course Content

This course comprises twelve two-hour lectures as follows:

Course Introduction
Financial Markets and Institutions

Present Value
Opportunity Cost of Capital

Net Present Value and Investment Decisions

Risk and Return

Capital Budgeting and Risk

Practical Problems in Capital Budgeting

Corporate Financing and Market Efficiency

Dividend Policy

Capital Structure

Financing and Valuation

Understanding and Valuing Options

Managing Risks

Readings

Brealey, R. A. and S. C. Myers (2003) Principles of Corporate Finance, 7th International edition, McGraw-Hill / Irwin. *

- - In addition to the textbook, this course will rely on materials from a variety of sources, including practitioner and academic journals.

Materials and Equipment

It is expected that all assignment submissions will be prepared on white bond paper using PC technology and submitted in hard copy. All other assessment materials will be supplied. The final examination will require hand-written responses to a case-study situation to be submitted in a VUW examination booklet.

Assessment Requirements

Applied Assignments (3 x 10% each)	30%
Mid-term Examination	20%
Final Examination (3 hours)	50%

Non-assessed technical assignments will be posted periodically (and model solutions posted subsequently) to assist students in consolidating on class materials.

Applied Assignments (3 @10% each) – Case-study based applied assignments will be used to develop and test each student’s to translate corporate finance principles and practices into real-world type problems. Topics will be advised during the course.

Written assignment reports will be due in class at the start of the session on the due dates, being:

Applied assignment 1	28 July (session 4)
Applied assignment 2	11 August (session 6)
Applied assignment 3	29 September (session 11)

NOTE: It is assumed for the purpose of these assignments that students have at least a basic competence in using computer spreadsheets (e.g. Microsoft Excel).

Mid-term Examination (20%) – An open-book take home mid-term exam will be provided to motivate and test students’ learning of the corporate finance “basics” covered in the first five sessions. Questions will include both applied and theoretical elements.

Mid-term examination due date: At beginning of class, 7 September (session7)

Final Examination (50%) - A final open-book examination will be held during which students will be expected to apply their knowledge to organisational financial situations described by means of problems and/or case vignettes. In accordance with University policy, students must obtain a minimum of forty percent of the marks available on the final examination in order to pass the course.

Penalties

In fairness to other students, work submitted after the deadline will be subject to a penalty of 5% of the total marks available per day of lateness. Assignments more than one week late will not be accepted. A “zero” mark will be applied. In the event of unusual, unforeseen circumstances (e.g., serious illness, family bereavement), students should discuss waiver of the penalty with the course controller prior to the deadline date.

Mandatory Course Requirements

Obtaining Terms

To obtain terms to sit the final examination in this course, students are required to attend classes, fully participate in and submit assignments and achieve at least fifty percent of the total marks available for term work.

Passing the Course

In order to pass this course, students are required to obtain at least forty percent of the final examination marks available, and obtain at least fifty percent of the overall course marks available.

Victoria MBA Grading Standards

- **Victoria MBA - Excellent Category**
A (80 – 85%) to A+ (above 85%): The quality is performed to a very high level of proficiency, i.e. it is at a standard that makes it exceptional at Master’s level.
- **Victoria MBA - Very Good Category**
B+ (70 – 74%) to A- (75 – 79%): The quality is performed at a high standard. Students have reached a level which clearly exceeds “competency”.
- **Victoria MBA - Good Category**
B- (60 – 64%) to B (65 – 69%): The quality is clearly demonstrated without being exceptional in any way. Students can be thought of as competent in respect of this quality.
- **Victoria MBA - Satisfactory Category**
C (50 – 54%) to C+ (55 – 59%): The quality is demonstrated to a minimally acceptable level. There may be flaws but these are not serious enough to “fail” the student on this quality.
- **Victoria MBA - Unsatisfactory Category**
E (0 – 39%) to D (40 – 49%): The quality is absent or performed to a very low level, or the performance is seriously flawed in this respect.
- Please note that the MBA Board of Studies (End of Course Marks Meeting) reserves the right to adjust final grade distributions in order to achieve meaningful grading standards and equity in the application of evaluation standards across various MBA courses.

Individual Work

While the Victoria MBA programme has a tradition of study group collaboration, there are important elements in the assessment process that are strictly individual. Collaboration on individual assignments is not allowed beyond general discussion as to how one might interpret the nature of the assignment question. Please do not work together to formulate a response and do not loan out your completed assignments.

Communication of Additional Information

Additional information and information on any changes will be conveyed to students via class announcements.

General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly those regarding assessment and course of study requirements, and formal academic grievance procedures.

Student Conduct and Staff Conduct

The Statute on Student Conduct together with the Policy on Staff Conduct ensure that members of the University community are able to work, learn, study and participate in the academic and social aspects of the University's life in an atmosphere of safety and respect. The Statute on Student Conduct contains information on what conduct is prohibited and what steps can be taken if there is a complaint. For queries about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor. This Statute is available in the Faculty Student Administration Office or on the website at: www.vuw.ac.nz/policy/StudentConduct.

The policy on Staff Conduct can be found on the VUW website at: www.vuw.ac.nz/policy/StaffConduct.

Academic Grievances

If you have any academic problems with your course you should talk to the tutor or lecturer concerned or, if you are not satisfied with the result of that meeting, see the MBA Programme Director, then the Head of School or the Associate Dean (Students) of your Faculty. Class representatives are available to assist you with this process. If, after trying the above channels, you are still unsatisfied, formal grievance procedures can be invoked. These are set out in the Academic Grievances Policy which is published on the VUW website: www.vuw.ac.nz/policy/AcademicGrievances.

Academic Integrity and Plagiarism

Academic integrity is about honesty – put simply it means **no cheating**. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. Plagiarism is **prohibited** at Victoria.

The University defines plagiarism as follows:

Plagiarism is presenting someone else's work as if it were your own, whether you mean to or not.

'Someone else's work' means anything that is not your own idea, even if it is presented in your own style. It includes material from books, journals or any other printed source, the work of other students or staff, information from the Internet, software programmes and other electronic material, designs and ideas. It also includes the organization or structuring of any such material.

Plagiarism is not worth the risk.

Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct (www.vuw.ac.nz/policy/studentconduct) and may be penalized severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- suspension from class or university
- cancellation of your mark for an assessment or a fail grade for the course.

Find out more about plagiarism and how to avoid it, on the University's website at: www.vuw.ac.nz/home/studying/plagiarism.html.

Students with Disabilities

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities an equal opportunity with all other students to demonstrate their abilities. If you have a disability, impairment or chronic medical condition (temporary, permanent or recurring) that may impact on your ability to participate, learn and/or achieve in lectures and tutorials or in meeting the course requirements, then please contact the Course Coordinator as early in the course as possible. Alternatively you may wish to approach a Student Adviser from Disability Support Services to confidentially discuss your individual needs and the options and support that are available. Disability Support Services are located on Level 1, Robert Stout Building, or phoning 463-6070, email: disability@vuw.ac.nz. The name of your School's Disability Liaison Person can be obtained from the Administrative Assistant or the School Prospectus.

Student Support

Staff at Victoria want students' learning experiences at the University to be positive. If your academic progress is causing you concern, please contact the relevant Course Co-ordinator, or Associate Dean who will either help you directly or put you in contact with someone who can.

The Student Services Group is also available to provide a variety of support and services. Find out more at www.vuw.ac.nz/st_services/ or email student-services@vuw.ac.nz.

VUWSA employs two Education Coordinators who deal with academic problems and provide support, advice and advocacy services, as well as organising class representatives and faculty delegates. The Education Office is located on the ground floor, Student Union Building, phone 463 6983 or 463 6984, email education@vuwsa.org.nz.

Lecture Schedule - MMBA 516 – 2005

*(Assignment due dates marked *)*

Session	Topic	Basic Reading – B&M
1 (7 July)	Course introduction Financial markets and institutions	Chs. 1, 14, 15
2 (14 July)	Present value Opportunity cost of capital	Chs. 2, 3, 4
3 (21 July)	Net present value and investment decisions	Chs. 5, 6
4 (28 July)*	Risk and return	Chs. 7, 8
5 (4 August)	Capital budgeting and risk	Ch. 9
6 (11 August)*	Practical problems in capital budgeting	Chs. 10, 11, 12
<i>15-28 August - Mid-term break</i>		
7 (1 September)*	Corporate financing and market efficiency	Ch. 13
8 (8 September)	Dividend policy Capital structure	Chs. 16, 17
9 (15 September)	Capital structure – cont'd	Ch. 18
10 (22 September)	Financing and valuation	Ch. 19
11(29 September)*	Understanding and valuing options	Chs. 20, 21, 22
12 (6 October)	Managing risks	Chs. 27, 28