

**MOFI 301**

Corporate Finance
School of Economics and Finance

2005 2/3

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Timetable Second trimester

Lectures:	Monday, Wednesday and Thursday	3:40 - 4:30	RH LT2
Tutorials:	Tuesday	9:30 - 10:20	RLWY 315
	Tuesday	10:30 - 11:20	RLWY 315
	Tuesday	11:30 - 12:20	RLWY 315
	Tuesday	1:40 - 2:30	RLWY 315
	Tuesday	2:40 - 3:30	RLWY 315
	Tuesday	3:40 - 4:30	RLWY 501

Course Objectives

Managers of firms must make decisions regarding which investment projects to undertake (capital budgeting decisions) and how to finance them (capital structure decisions). We analyze both types of decisions in MOFI 301. The first part of the course focuses exclusively on capital budgeting decisions, extending the material in MOFI 201 to projects with embedded options. The second part of the course concentrates on capital structure, extending the treatment of Modigliani and Miller in MOFI 201. The third part of the course examines the interactions between capital budgeting and capital structure decisions.

Topics

1. Traditional capital budgeting
2. Derivative pricing
3. Real options
4. Modigliani and Miller

5. Financial decisions and investment behaviour
6. Managerial incentives and financial decisions
7. Information conveyed by financial decisions
8. Mergers and acquisitions
9. Interest rate risk management

Reading

The textbook is: Mark Grinblatt and Sheridan Titman, *Financial Markets and Corporate Strategy 2nd Edition*. Boston: Irwin/McGraw-Hill.

This is a good modern source, but aimed at a slightly lower level than this course. It will be supplemented by more mathematical material in lectures.

Assessment

Test One 20% 6:30pm Monday 18 July in RH LT1

Test Two 20% 6:30pm Thursday 4 August in RH LT1

Examination 60% 3 hours, time and place to be advised

Communication of additional information

On the blackboard website: <http://blackboard.vuw.ac.nz> course documents and other information will be available. Announcements will also be posted here. You should familiarise yourself with blackboard and check it regularly, especially prior to the tests and exam when further information will be provided.

Preparation

Students must have passed MOFI 201, FINM 371 or QUAN 371 before they can enrol in MOFI 301. Note that MOFI 201 has prerequisites ECON 140, QUAN 102 and QUAN 111. We therefore assume knowledge of the material in ECON 140, MOFI 201, QUAN 102 and QUAN 111.

Overall, the pass rate is low relative to other 300 level papers offered by the faculty. The following table summarizes outcomes in the last three years:

	2000	2001	2002	2003	2004
Number enrolled	70	65	84	86	128
Pass	54	52	62	69	101
Fail	16	13	22	17	27
Percentage who passed	77%	80%	74%	80%	79%

Students with a grade of C, C+, or B- in MOFI 201 can expect to find this paper very difficult.

Key Dates

- 5pm Wednesday 6 July deadline to sign-up for tutorials
- Friday 15 July Tutorial 2
- 6:30pm Monday 18 July Test One (in RH LT1)
- Tuesday 19 July no tutorials this week
- Friday 22 July last day to withdraw from second trimester courses with full refund
- 6:30pm Thursday 4 August Test Two (in RH LT1)

Tutorials

Tutorials start on the Tuesday of week 2. To sign-up for a regular tutorial complete the form on http://www.vuw.ac.nz/staff/richard_martin/_scripts/mofi301tutorial2005.php. You will need to enter your student ID, your SCS username, and rank four tutorial times

you can do. The deadline to do this is 5pm Wednesday 6 July. Students will be allocated to the best possible time according to their stated preferences but subject to space constraints. Tutorial lists will then be posted on the mezzanine floor noticeboard of Rutherford House.

Because the first test is on the Monday of week 3, the tutorials for just that week have been moved forward to the Friday of week 2. That is, on Friday 15 July we will cover tutorial 2 on derivative pricing. For these tutorials a sign-up sheet will be posted on the mezzanine floor noticeboard of Rutherford House. These spaces are allocated on a first-come-first-served-basis. There will be no tutorials on Tuesday 19 July.

Students are expected to come to tutorials having attempted the tutorial questions, and to actively partake in the tutorial discussion.

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: <http://www.vuw.ac.nz/policy/StudentConduct>. The policy on Staff Conduct can be found on the VUW website at: <http://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 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:

<http://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 Coordinator, 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 http://www.vuw.ac.nz/st_services/ or 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.