

School of Economics and Finance

MOFI 201
FINANCE

Trimester 1 - 2006

COURSE OUTLINE

Contact Details

Lecturer: Dr Stephen Keef - Course Coordinator
Office: RH 302 - Phone: 463-5239 extn: 5239
Email: Stephen.keef@vuw.ac.nz

Lecturer: Mr Richard Meade
Office: RH 330 – Phone: 463-5233 extn: 8520
Email: Richard.meade@vuw.ac.nz

Class Times and Room Numbers

Lectures Times: Monday, Tuesday and Friday : 8.30- 9.20am RH LT2
Monday, Tuesday and Friday : 11.30-12.20pm RH LT1

Tutorial Times will be arranged through the SEF website – see Blackboard for further information.

Communication of Additional Information

Course materials, notices and any other new/additional information will be posted on **Blackboard** – <http://blackboard/vuw.ac.nz> Students should always refer to **Blackboard** for information pertaining to this course. Any further queries can be directed to Suzanne Freear, Administrator – RH 327 phone: 463-5380 (internal: extn: 5380.)

Course Objectives

The course prescription is “The theory of portfolio selection, financial decision-making by firms, the behaviour of financial markets, particularly the valuation of securities.”

Students passing this course will fully appreciate the basic elements underlying the Theory of Finance. These are: the net present value method, portfolio theory, capital asset pricing model(s), capital structure and the efficient market hypothesis. The goal of the course is to provide a solid base to permit students to undertake advanced finance courses and/or to engage in further self-study.

A provisional lecture outline is appended at the end of this course outline.

Readings

The recommended text to purchase is :

Ross, S.A., R.W. Westerfield and J. Jaffe "Corporate Finance", 7th ed. McGraw-Hill: Irwin. The prescribed reading should be done prior to the relevant lectures.

Assessment Requirements

50 minute Terms Test – Week 5. - date to be advised 25%
Topics covered: Net Present Value Method, Valuing Bonds and Shares, Term Structure of Interest Rates.

50 minute, Terms Test - Week 8. - date to be advised 25%
Topics covered: Alternative Investment Rules, Portfolio Theory, CML and CAPM Models.

Final 2 hour Registry Examination, covering the whole course 50%
(1st trimester examination period between - 12th - 23rd June, 2006.)

If it will benefit the student, overall assessment will be based on performance in the final Registry Examination.

Note: Times and places of Terms Tests
5.40pm – 6.30pm in (to be advised)
6.40pm – 7.30pm in (to be advised)

(room allocation will be detailed later on Blackboard)

Only non-programmable calculators (those without a full set of alphabetic keys) are permitted at examinations. A standard 7th Form calculator will be adequate.

Scaling

If the scaling of marks is deemed necessary, the following procedure will be adopted. First, the pass-fail mark of 50% will be established. Second, passing grades will then be linearly scaled, in a way that preserves rank in the course, so that the distribution is a better fit of university averages.

Tutorials

Students are requested to maximise the utility of the tutorials. Tutorials will be conducted weekly, beginning in the second week. Tutorial assignments are available on Blackboard, and must be completed in preparation for the tutorial class. Attendance at 8 or more of the 11 tutorials is expected. Appropriate allowances will be made in the case of exceptional personal circumstances if these are promptly brought to the attention of the Course Controller.

Workload

It is estimated that the expected workload will average out at approximately 12 hours per week including lectures and tutorials.

Faculty of Commerce and Administration Offices

Railway West Wing (RWW) - FCA Student Administration Office

The Student Administration Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications.

Easterfield (EA) - FCA/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce & Administration and Law is situated in the Easterfield Building - it includes the ground floor reception desk (EA005) and offices 125a to 131 (Level 1). The office, will be open from 9:00 am to 5:00 pm during Trimester 2, offers the following:

- Duty tutors for student contact and advice.
- Information concerning administrative and academic matters.
- FCA Student Administration forms (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

Please note:

There will be a Student Administration Adviser, from the RWW office, based in EA005 from Monday 27 June to Friday 1 July (9:00 am to 5:00 pm) and from Monday 4 July to Friday 22 July (11:00 am to 1:00 pm).

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 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.

Maori and Pacific Mentoring programme (Manaaki Pihipihinga)

This is a free programme of mentoring for Maori and Pacific students doing first year courses within the Faculty of Commerce and Administration. Weekly one hour mentoring sessions: drafting and editing assignments/discussing any questions that you might have from tutorials or lectures and going over every aspect of essay writing, either in small group sessions or on a one-to-one basis.

This includes:

- A computer suite hooked up to cyber commons for students to use to produce their assignments.
- Regular skill-based workshops with a learning adviser from Student Learning Support Services.
- Networking with other Maori and Pacific support groups throughout the university.

For more information please contact:

Melissa Dunlop, Programme Coordinator

Ph: 463 6015 or Email: Maori-Pacific-Mentoring@vuw.ac.nz

Other Courses

Finance is a mathematically oriented subject. Consequently students who anticipate undertaking MOFI 301/305 or MOFI 400 level, or who anticipate working in the finance industry are strongly advised to incorporate more maths/stats into their degree than is prescribed as prerequisites for MOFI 201. The relevant statistics courses (beyond QUAN 102 or equivalent) are STAT 231 or QUAN 201, followed by QUAN 301, QUAN 304, STAT 331 and STAT 333. The relevant mathematics courses are MATH 206, followed by MATH 301. If a student has QUAN 111 instead of MATH 113/114 (or 115/116), admission to MATH 206 is possible with an A grade in QUAN 111. If you need further advice please see Associate Professor Martin Lally.

In addition, students who anticipate working in the finance industry are advised to undertake courses in financial accounting, since Annual Reports are significant sources of information in valuing companies.

Also students anticipating 400 level study need to ensure that they have the appropriate undergraduate prerequisites to permit a full 8 course programme at 400 level. Such students are strongly encouraged to discuss this with a member of the School of Economics and Finance (SEF). Students intending to enrol in an Honours or Masters or PhD programme should discuss their plans with the Economics and Finance Graduate Coordinator – Paul Tompkinson, RH 403.



PROVISIONAL LECTURE OUTLINE

| Week | Topic | Chapter Readings |
|------|------------------------------------|-------------------------------|
| 1. | Net Present Value Method | 4 |
| 2. | Valuing Bonds and Shares | 5.1 – 5.4 |
| 3. | Term Structure of Interest Rates | 5a |
| 4. | Alternative Investment Rules | 6 |
| 5. | Portfolio Theory | 9 & 10.1 – 10.6 |
| 5. | TERMS TEST I (date to be advised) | |
| 6. | CML and CAPM models | 10.7 – 10.10; and 12.1 – 12.4 |
| 7. | Efficient Markets Hypothesis (EMH) | 13 |
| 8. | Exchange Rate Relationships | 31 |
| 8. | TERMS TEST II (date to be advised) | |
| 9. | Capital Structure Theory | 15 & 16 |
| 10. | Capital Budgeting | 7 & 12 |
| 11. | Capital Budgeting | 17.7 |
| 12. | Dividend Policy | 18 |

School of Economics and Finance web page:

<http://www.sef.fca.vuw.ac.nz>