

**VICTORIA MANAGEMENT SCHOOL**

**MMBA 516 CORPORATE FINANCE**

Summer Trimester 2006

**COURSE OUTLINE**

**Contact Details**

Lecturer: Richard Meade

Best contact: [richard.meade@vuw.ac.nz](mailto:richard.meade@vuw.ac.nz) – checked regularly during the course

Work phone: 476-5182 – please try email first

Office: Off-campus – please email to arrange on-campus meeting if required

**Times and Room Numbers**

Lectures: 11 sessions of two full hours each, beginning 13 November

<i>Lectures</i>	<i>Dates</i>	<i>Day</i>	<i>Time</i>	<i>Room</i>
1 – 3	13/11 – 27/11	Monday	17:40 – 19:40	GB LT3
4 – 8	4/12 – 15/1	Monday	17:40 – 19:40	RH LT3
9	25/1	Thursday	18:40 – 20:40	RH LT3
10	29/1	Monday	17:40 – 19:40	RH LT3
11	8/2	Thursday	18:40 – 20:40	RH LT3

Tutorials: 10 sessions of 50 minutes each, beginning 21 November, not compulsory

<i>Tutorials</i>	<i>Dates</i>	<i>Day</i>	<i>Time</i>	<i>Room</i>
1 – 9	21/11 – 30/1	Tuesday	12:40 – 1:30	RWW129
10	9/2	Friday	12: <u>00</u> – 13: <u>00</u>	RH LT3

Examination period: 12 – 19 February 2007 (see VUW website for dates, times and locations)

## 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.

## Lecture Dates, Content, and Readings

<i>Lecture</i>	<i>Date</i>	<i>Topic</i>	<i>B, M &amp; A Chapters</i>
1	13 November	Course introduction Financial markets and institutions	1, 14, 15
2	20 November	Discount rates and present values	2, 3
3	27 November	Valuing bonds and shares NPV analysis and other investment criteria	4 5, 6
4	4 December	Risk, return and the opportunity cost of capital Portfolio theory and the CAPM	7 8
5	11 December	Capital budgeting and risk Financing and valuation – the WACC, and APV	9 19
6	18 December	Practical problems in capital budgeting	10, 11, 12
<i>University closed for Christmas break from 22 December</i>			
7	8 January	Market efficiency	13
8	15 January	Payout policy	16
9	25 January*	Debt and debt policy	17, 18, 25
10	29 January	Financial options Real options	20, 21 22
11	8 February*	Managing risks	27, 28

\* Date of lecture shifted due to public holiday that week.

## **Expected Workload**

MMBA 516 is a 15 point course, and as a guide will consequently require a total of around 150 hours of student work. On average, therefore, students on this course should expect to work around 12 hours per week for 11 teaching weeks, including scheduled contact time and individual study. Approximately 24 hours more work should be allowed over the Christmas break.

## **Tutorials**

Tutorial assignments will be issued weekly, and tutorials will commence in the second week of classes. Neither the completion of tutorial assignments nor attendance at tutorials is compulsory. These tutorial assignments and tutorials are offered to help students to consolidate on and further apply materials covered in lectures.

## **Readings**

Brealey, R. A., Myers, S. C. and F. Allen, *Corporate Finance*, 8 ed., International Student Edition, McGraw-Hill Irwin, 2006.

## **Materials and Equipment**

Only calculators that are non-programmable will be permitted in the mid-term test and final examination.

## **Assessment Requirements**

*Mid-term test:* 25% of Final Grade, Closed Book

To consolidate on finance basics early in the course.

Thursday 14 December, 18:40 – 20:40, Room RH LT3.

*Applied assignment:* 25% of Final Grade

To apply concepts from lectures in greater depth than in classes or tutorials.

Due 5 p.m., Friday 19 January 2007, leave with Charlotte Deans, RH 1004

*Final examination:* 50% of Final Grade, Open Book

To demonstrate each student's ability to explain and apply the concepts of corporate finance.

Check VUW website closer to the end of trimester for date, time and location.

## **Applied Assignments**

Group work on the applied assignments is encouraged and expected, but all assignments submitted must be individual/original work. Any plagiarism will be treated very seriously (see *Academic Integrity and Plagiarism* below for more).

Note that some basic familiarity with using a spreadsheet like Microsoft Excel may be required for the applied assignment.

*Students must prepare two copies of each hand-in and keep the second copy for their own reference. Students must also keep an electronic copy of their work archived in case the original assignment goes missing.* Failure to do so will jeopardise any claim by you that your work was submitted in the rare cases where your work goes astray.

## **Mandatory Course Requirements**

In order to pass this course students are required to obtain at least 40% of the final examination marks available, and obtain at least 50% of the overall course marks available.

## **Communication of Additional Information**

Additional course information will be communicated using VUW's Blackboard system.

## **Referencing**

There are many different styles of referencing and the Faculty of Commerce & Administration at VUW has decided to make APA (American Psychological Association) referencing style the common standard across the Faculty. The Commerce and Central Libraries hold the APA Style Guide. You can also access the information from the online VUW library site (<http://www.vuw.ac.nz/library/resources/virtualref.shtml#style>).

## **Grading Guidelines**

Victoria MBA Grading Standards are as follows:

Excellent Category

A- (75 – 79%) to A (80 – 85%) to A+ (above 85%): The learning is demonstrated to a very high level of proficiency, i.e. it is at a standard that makes it exceptional at Master's level.

Very Good Category

B+ (70 – 74%): The learning is demonstrated at a high standard. Students have reached a level that clearly exceeds "competency".

Good Category

B (65 – 69%): The learning is clearly demonstrated without being exceptional in any way. Students can be thought of as fully competent.

Satisfactory Category

B- (60 – 64%): The learning is demonstrated without being exceptional in any way. Students can be thought of as competent.

Marginal Category

C (50 – 54%) to C+ (55 – 59%): The learning is demonstrated to a minimally acceptable level. There may be flaws but these are not serious enough to "fail" the student.

Unsatisfactory / Failure Category

E (0 – 39%) to D (40 – 49%): The learning is absent or performed to a very low level, or the performance is seriously flawed.

## **PENALTIES - for Lateness & Excessive Length of Assignments**

- (i) In fairness to other students, work submitted after any deadline will incur a penalty for lateness. **The penalty is 2% of the marks available** for an assignment submitted after the due time on the due date **for each part day or day late. Saturdays, Sundays and public holidays** will be included when counting the number of days late. Assignments received **more than 7 days after the due date** will not be accepted and the student will **automatically fail the Mandatory Requirements**.
- (ii) Course Outlines provide a signal to student of forthcoming workload, dates of submission etc, and thus student study plans should take account of course requirements across all

courses. Consequently, workload issues related to other courses and employment will not be accepted as reason for dispensation from mandatory requirements or waiver of penalties. **Extensions** to submission deadlines for any assigned work will only be granted in **exceptional circumstances**.

- (iii) Students who are unable to comply with any of the mandatory requirements should make a written application for an extension to the due date for submission of assigned work or for waiver of a penalty, **in advance**, to the Tutorial Coordinator, providing documentary evidence of the reasons of their circumstances.

All such applications must be made **before** the deadline and be accompanied by documentary evidence, eg a medical certificate, or counsellor's report that indicates the degree of impairment, and for how long the student has been impaired. Please be sure to ask at the time of consultation for the degree of impairment to be stated in any certificate you provide to support your case.

- (iv) In the event of unusual or unforeseeable circumstances (e.g. serious illness, family bereavement), that precludes an application in advance, students should make contact with the Tutorial Coordinator as soon as possible, and make application for waiver of a penalty as soon as practicable.
- (v) Word limits should be adhered to, especially so when they provide a guide to limiting the student's coverage of a topic.

### **Faculty of Commerce and Administration Offices**

#### **Railway West Wing (RWW) - FCA Student and Academic Services Office**

The Faculty's Student and Academic Services 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. To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

#### **Easterfield (EA) - FCA/Education/Law Kelburn Office**

The Kelburn Campus Office for the Faculties of Commerce and Administration, Education 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 is available for the following:

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

To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

### **General University Policies and Statutes**

Students should familiarise themselves with the University's policies and statutes, particularly the Assessment Statute, the Personal Courses of Study Statute, the Statute on Student Conduct and any statutes relating to the particular qualifications being studied; see the Victoria University Calendar available in hard copy or under 'About Victoria' on the VUW home page at [www.vuw.ac.nz](http://www.vuw.ac.nz).

### **Student 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 are to be taken if there is a complaint. For information about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor or refer to the statute on the VUW policy website at

[www.vuw.ac.nz/policy/studentconduct](http://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](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; class representatives may be able to help you in this. If you are not satisfied with the result of that meeting, see the Head of School or the relevant Associate Dean; VUWSA Education Coordinators are available to assist in 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 at [www.vuw.ac.nz/policy/academicgrievances](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. The University defines plagiarism as follows:

*The presentation of the work of another person or other persons as if it were one's own, whether intended or not. This includes published or unpublished work, material on the Internet and the work of other student or staff.*

It is still plagiarism even if you re-structure the material or present it in your own style or words.

Note: It is however, perfectly acceptable to include the work of others as long as that is acknowledged by appropriate referencing.

Plagiarism is prohibited at Victoria and is not worth the risk. Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct and may be penalised severely. Consequences of being found guilty of plagiarism can include:

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

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

### **Students with Impairments**

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities the same opportunity as 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, 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 (DSS) to discuss your individual needs and the available options and support on a confidential basis. DSS are located on Level 1, Robert Stout Building, telephone (04) 463 6070, email [disability@vuw.ac.nz](mailto:disability@vuw.ac.nz). The name of your School's Disability Liaison Person is in the relevant prospectus or can be obtained from the School Office or DSS.

### **Student Support**

Staff at Victoria want students to have positive learning experiences at the University. Each Faculty has a designated staff member who can either help you directly if your academic progress is causing you concern, or quickly put you in contact with someone who can. Assistance for specific groups is also available from the Kaiwao Māori, Manaaki Pihipihinga or Victoria International.

In addition, the Student Services Group (email [student-services@vuw.ac.nz](mailto:student-services@vuw.ac.nz)) is available to provide a variety of support and services. Find out more at [www.vuw.ac.nz/st\\_services/](http://www.vuw.ac.nz/st_services/).

VUWSA employs 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 (tel. 04 463 6983 or 04 463 6984, email [education@vuwsa.org.nz](mailto:education@vuwsa.org.nz)) is located on the ground floor, Student Union Building.

**Manaaki Pihipihinga - Maori and Pacific Mentoring Programme (Faculty of Commerce and Administration)**

This is a mentoring service for Maori and Pacific students studying at all levels. Weekly one hour sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade, and Room 210 and 211, Level 2, Railway West Wing. Sessions cover drafting and discussing assignments, essay writing, and any questions that may arise from tutorials and/or lectures. A computer suite networked to Cyber Commons is available for student use.

To register with Manaaki Pihipihinga, please contact one of the following:

Puawai Wereta  
Manaaki Pihipihinga Coordinator  
Room 210, Level 2  
Railway West Wing  
Tel. (04) 463 8997  
Email: [Puawai.Wereta@vuw.ac.nz](mailto:Puawai.Wereta@vuw.ac.nz)

Fa'afoi Seiuli  
Pacific Support Coordinator  
Room 109 B  
14 Kelburn Parade  
Tel. (04) 463 5842  
Email: [Faafoi.Seiuli@vuw.ac.nz](mailto:Faafoi.Seiuli@vuw.ac.nz)

The Pacific Support Coordinator is also available on the Pipitea Campus, Room 212, Level 2, Railway West Wing, every Thursday, 1-4pm. No appointment is necessary. You can either come in, email or phone with any issue that you need help with. Fa'afoi links Pacific students to the services and support they need while studying at Victoria.