

School of Economics and Finance

**MOFI 201**  
**FINANCE**

Trimester 1 - 2007

**COURSE OUTLINE**

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**Contact Details**

Lecturer: Dr Stephen Keef - Course Coordinator  
Office: RH 302 - Phone: 463-5239 extn: 5239  
Email: [Stephen.Keef@vuw.ac.nz](mailto:Stephen.Keef@vuw.ac.nz)

Lecturer: Dr Lyndon Moore  
Office: RH 422 – Phone: 463-6963 extn: 6963  
Email: [Lyndon.Moore@vuw.ac.nz](mailto:Lyndon.Moore@vuw.ac.nz) - Office Hours: Thur 3 – 5pm

Administration : Suzanne Freear – RH 327, Phone: 463-5380 extn: 5380  
[Suzanne.Freear@vuw.ac.nz](mailto:Suzanne.Freear@vuw.ac.nz)

**Class Times and Room Numbers**

Lectures Times: Tuesday, Wednesday and Thursday : 8.30- 9.20am RH LT2  
Monday, Thursday and Friday : 10.30-11.20pm RH LT1

**Tutorial Times**

Tutorials will be arranged through the VUW system – 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.

### **Expected Workload**

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

### **Readings**

The recommended text to purchase is :

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

### **Assessment Requirements**

50 minute Terms Test – Week 5. 25%

*Topics covered:* Net Present Value Method, Valuing Bonds and Shares, Term Structure of Interest Rates.

50 minute, Terms Test - Week 8. 25%

*Topics covered:* Alternative Investment Rules, Portfolio Theory, CML and CAPM Models.

Final 2 hour Registry Examination, covering the whole course 50%  
(1<sup>st</sup> trimester examination period between - 11<sup>th</sup> - 29<sup>th</sup> June, 2007.)

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

*Note:* Dates, times and places of Terms Tests to be advised. The 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 7<sup>th</sup> 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.

### **Mandatory Course Requirements**

There are no mandatory course requirements for this course.

### **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.

## **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 or go to [www.vuw.ac.nz/policy](http://www.vuw.ac.nz/policy).

For information on the following topics, go to the Faculty's website [www.vuw.ac.nz/fca](http://www.vuw.ac.nz/fca) under Important Information for Students:

- Academic Grievances
- Academic Integrity and Plagiarism
- Student and Staff Conduct
- Meeting the Needs of Students with Impairments
- Student Support

## **Manaaki Pihipihinga Programme**

Manaaki Pihipihinga is an academic mentoring programme for undergraduate Māori and Pacific students in the Faculties of Commerce and Administration, and Humanities and Social Sciences. Sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade (back courtyard), Room 109D, and Room 210, Level 2, Railway West Wing. There is also a Pacific Support Coordinator who assists Pacific students by linking them to the services and support they need while studying at Victoria. Another feature of the programme is a support network for Postgraduate students with links to Postgraduate workshops and activities around Campus.

For further information, or to register with the programme, email [manaaki-pihipihinga-programme@vuw.ac.nz](mailto:manaaki-pihipihinga-programme@vuw.ac.nz) or phone (04) 463 5233 ext. 8977. To contact the Pacific Support Coordinator, email [pacific-support-coord@vuw.ac.nz](mailto:pacific-support-coord@vuw.ac.nz) or phone (04) 463 5842.

## 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 Room 403.

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## 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
TERMS TEST I		
6.	CML and CAPM models	10.7 – 10.10; and 12.1 – 12.4
7.	Efficient Markets Hypothesis (EMH)	13
8.	Efficient Markets Hypothesis (EMH)	13
TERMS TEST II		
9.	Capital Structure Theory	15 & 16
10.	Capital Structure Theory	15 & 16
11.	Capital Budgeting	7 & 12
12.	Capital Budgeting	17.7

School of Economics and Finance web page: <http://www.vuw.ac.nz/sef>