

Economics and Finance

MOFI 301 CORPORATE FINANCE

Trimester Two 2008

COURSE OUTLINE

Names and Contact Details

The Course Coordinator and lecturer

Martin Lally, RH 301, ext 5998,
martin.lally@vuw.ac.nz.

Students are free to contact him at any time.

Trimester Dates

The second trimester runs from Monday 7 July to Saturday 8 November 2008.

Class Times and Room Numbers

Lectures are Monday, Tuesday and Friday, 2.40pm – 3.30pm, RH LT2.

Tutorials will be conducted weekly, and commence in the second week. Students will submit a tutorial preference form at the first lecture, and the allocation of students to tutorial times will be posted on Blackboard by the end of the first week. Tutorial assignments will be distributed in the preceding week's lecture class, and should be completed in preparation for the tutorial class.

The course has a final exam during the examination period Oct 17-Nov 8.

Course Objectives

The course examines significant aspects of financial decision making by firms, including capital structure, capital budgeting, and dividend decisions. The primary focus will be upon normative theory, i.e., decisions that maximise the market value of the firm.

Expected Workload

The anticipated workload is about 12 hours per week, comprising three hours for lectures, one hour for a tutorial, four hours to prepare the tutorial assignment, and four hours for reading.

Readings

The prescribed text is T. Copeland, J. Weston and K. Shastri, *Financial Theory and Corporate Policy*, 4th edition, Pearson Addison Wesley, 2005 (CWS). The readings for each week are indicated in the attached Course Content schedule. A copy of the readings from the 3rd edition (CW) will be placed on blackboard.

The examinable material constitutes the lecture material and tutorial assignments. The prescribed reading is intended to assist in the comprehension of this. Accordingly it should be read prior to the relevant lectures, and possibly also afterwards as a follow-up.

Assessment Requirements

Assessment for the course will be determined in the following way. The following rule is initially applied.

In-Term Examination September 6, 11am-1pm (RH LT1)	30%
Final Examination (in the period Oct 17-Nov 8)	70%

If this assessment rule yields a fail, and shifting the weight on the first exam to the final exam yields a pass, then the student will be granted 50%. For example, if the student's results are 40% and 60% for the first and second exams respectively, then application of the initial rule yields an overall result of 54%. This is a pass, and therefore is not altered. By contrast, if the student's results are 20% and 55%, application of the initial rule yields an overall result of 45%, which is a fail; shifting all of the weight to the final exam yields an overall result of 55%, which is a pass, and therefore the student would be given 50%.

The in-term test will cover the material presented in lectures in the first six weeks (and the associated tutorial assignments). The final exam will cover the entire course, with about 30% based on the first six weeks material and the remaining 70% on the last six weeks material.

Penalties

Not applicable.

Mandatory Course Requirements

There are no mandatory requirements for passing the course.

Communication of Additional Information

Additional information will be conveyed by Blackboard.

Additional Courses

Students anticipating undertaking 400 level Finance, or who anticipate working in the finance industry, are strongly advised to undertake more mathematics/statistics than that prescribed as a prerequisite for MOFI 201. Relevant statistics courses are QUAN 201, 202, 203, 301, 303 and STAT 231, 331, 333, 338. The relevant mathematics courses are QUAN 203, MATH 206, and 301.

In addition, students who anticipate working in the finance industry are strongly advised to undertake courses in financial accounting, since Annual Reports are significant sources of information in valuing companies. The relevant courses are ACCY 221, 222, 306, 308.

Students anticipating 400 level study need to ensure that they have the appropriate undergraduate pre-requisites 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) before they finalise their courses for their final undergraduate year.

Course Content & Background Reading

<u>Week Beginning</u>	<u>Subject/Background Reading</u>
July 7, 14, 21	Capital Structure Policy: MM Propositions Implications of personal taxes Implications of bankruptcy costs CWS 4 th edition, Ch 15A-C, E-H CW 3 rd edition, Ch 5 Appendix C
July 28, Aug 4, 11 Sept 1	Capital Budgeting Policy: Application of the CAPM and Arbitrage Pricing to project valuation Abandonment, expansion and timing options Replicating projects CWS 4 th edition, Ch 2 A-E, G, Ch 9 CW 3 rd edition, Ch 3 C, Ch 12 C, F
Sept 6	EXAM (11am-1pm, covering the first six weeks material, RH LT1)
Sept 8, 15	Mergers & Takeovers: Explanations for Mergers& Takeovers Evaluation of Mergers & Takeovers CWS 4 th edition, Ch 18 A-E CW 3 rd edition, Ch 20 F-G
Sept 22, 29	Financial Leasing: Evaluation of Financial Leases Explanations for financial leasing CWS 4 th edition, Ch 17 A-B
October 6	Dividend Policy: Implications of Personal Taxes CWS 4 th edition, Ch 16 A-B

Background reading should be done prior to the relevant lectures in order to obtain the maximum benefit from it, and possibly also after it as a follow-up.

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 on the ground floor (EA005). This counter is the first point of contact for :

- 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.victoria.ac.nz/home/about/policy/students.aspx

For information on the following topics, go to the Faculty's website www.victoria.ac.nz/fca under Important Information for Students:

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

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 students or staff.

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

Note: including the work of others will not be considered plagiarism as long as the work 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:

www.victoria.ac.nz/home/studying/plagiarism.html

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 or phone (04) 463 6015. To contact the Pacific Support Coordinator, email pacific-support-coord@vuw.ac.nz or phone (04) 463 5842.