

School of Economics and Finance

## **MOFI 410 REAL OPTIONS**

Trimester Two 2008

### **COURSE OUTLINE**

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#### **Contact Details**

Graeme Guthrie (course coordinator)

Room RH 326

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#### **Trimester Dates**

Monday 7 July to Saturday 8 November 2008

#### **Class Times and Room Numbers**

Lectures will be held on Thursday in room RWW 126 from 2.40-4:30pm. The lecture room is booked for three hours, but each lecture will normally only last two hours.

The final exam for the course will be held during the final exam period (17 Oct. to 8 Nov.).

#### **Course Content**

Material will be drawn from the following list:

- The modelling framework
- Valuing single-period cash flows
- Valuing multi-period cash flows
- Combining valuation and decision making
- Options that do not affect the state of a project
- Simple timing options
- Compound timing options
- Uber-compound timing options
- Switching options
- Learning options
- Calibration using spot and futures price data
- Calibration using option price data
- Calibrating trees of alternative state variables
- Forestry management and valuation
- Developing a gas field
- Mothballing an ethanol plant

#### **Course Objectives**

To develop a set of modelling skills that enable the analysis of a range of situations involving real options.

#### **Expected Workload**

The workload for MOFI 410 is intended to be similar to that for other 400-level ECON and MOFI courses. The total expected workload is 150 hours, comprising 12-13 hours per week..

**Readings**

Draft chapters from the following text will be made available:

Guthrie, Graeme. 2009. *Real Options: Putting Theory Into Practice*, New York: Oxford University Press.

**Materials and Equipment**

Non-programmable calculators will be allowed in the final examination.

**Assessment Requirements**

The final grade will be determined by two equally-weighted assignments (contributing 40% in total) and a two-hour final exam (covering the whole course and contributing 60%).

The assignment due dates are

- Assignment 1: 2:40pm on Thursday, September 4 (start of lecture 7).
- Assignment 2: 2:40pm on Thursday, October 9 (start of lecture 12).

Students should be able to attend an examination at the university at any time during the formal examination period. Examination dates for trimester two: Friday 17 October to Saturday 8 November 2008.

**Penalties**

Assignments handed in late will not be marked. If a satisfactory medical certificate is provided, the weight from the assignment will be shifted onto the other pieces of assessment; otherwise, the assignment score will be recorded as 0.

**Mandatory Course Requirements**

A necessary condition for passing the course is that the score on the final exam is at least 50%.

**Communication of Additional Information**

Course documents and other information will be available on the course website at <http://blackboard.vuw.ac.nz>. Announcements will also be posted there.

## **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.

## **Use of Turnitin**

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <<http://www.turnitin.com>>. Turnitin is an on-line plagiarism prevention tool which identifies material that may have been copied from other sources including the Internet, books, journals, periodicals or the work of other students. Turnitin is used to assist academic staff in detecting misreferencing, misquotation, and the inclusion of unattributed material, which may be forms of cheating or plagiarism. *At the discretion of the Head of School, handwritten work may be copy-typed by the School and subject to checking by Turnitin.* You are strongly advised to check with your tutor or the course coordinator if you are uncertain about how to use and cite material from other sources. Turnitin will retain a copy of submitted materials on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

## **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](http://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](http://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](http://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](mailto:manaaki-pihipihinga-programme@vuw.ac.nz) or phone (04) 463 6015. 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.