

School of Economics and Finance

MOFI301: CORPORATE FINANCE

Trimester Two 2009

COURSE OUTLINE

Names and Contact Details

The Course Coordinator and lecturer for the course is 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 13 July to Saturday 14 November 2008. The teaching period runs from Monday 13 July until Friday 16 October and the examination period is from Tuesday 27 October to Saturday 14 November (inclusive).

Withdrawal dates: Information available via

<http://www.victoria.ac.nz/home/admisenrol/payments/withdrawalsrefunds.aspx>

Class Times and Room Numbers

Lectures are on Tuesdays at 10.30am-11.20am (GBLT2),
Wednesdays at 10.30am-11.20am (GBLT1)
Fridays at 10.30am-11.20am (RHLT1).

Tutorials are available on Tuesday (1.40pm-2.30pm, RWW126), Wednesday (11.30am-12.20pm, RWW222), Wednesday (4.40pm-5.30pm, RWW222), and Friday (11.30am-12.20pm, RWW313).

Course Learning Objectives

The course learning objectives involve

- C1 understanding the theories and practices of corporate finance to an advanced undergraduate level
- C2 understanding the role of taxes in capital structure decisions
- C3 understanding the role of bankruptcy risk in capital structure decisions
- C4 understanding the range of approaches to project valuation
- C5 understanding the role of options in project valuation
- C6 understanding how to assess merger and takeover proposals
- C7 understanding how to evaluate financial leases
- C8 and understanding the role of taxes in dividend decisions.

Course Delivery

The delivery of the course will involve weekly tutorials, commencing in the second week. Tutorial assignments will be distributed in the preceding week's lecture class, and should be completed in preparation for the tutorial class. Tutorial attendance is desirable but not compulsory. Students should choose and sign up for a tutorial through <http://signups.victoria.ac.nz>

You should go to this site after noon on Tuesday 14 July 2009, and then follow the onscreen instructions. The sign up will close at 4pm 17 July 2009.

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 Exam Sept 12, 11am-1pm (room RHLT1), course objectives C1-C5	30%
Final Exam (in the period Oct 27-Nov 14), course objectives C1-C8	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.

Note: Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to assess the need for changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

Examinations

The final examination for this course will be scheduled at some time during the period from Tuesday 27 October to Saturday 14 November 2009.

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 231, 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.

For the following important information follow the links provided:

Academic Integrity and Plagiarism

<http://www.victoria.ac.nz/home/study/plagiarism.aspx>

General University Policies and Statutes

<http://www.victoria.ac.nz/home/about/policy/academic.aspx>

Faculty of Commerce and Administration Offices

<http://www.victoria.ac.nz/fca/studenthelp/Contactus.aspx>

Manaaki Pihipihinga Programme

http://www.victoria.ac.nz/st_services/mentoring/

Course Content & Background Reading

<u>Week Beginning</u>	<u>Subject/Background Reading</u>
July 13, 20, 27	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
Aug 3, 10, 17 Sept 7	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 12	EXAM (11am-1pm, covering the first six weeks material, room RHLT1)
Sept 14, 21	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 28, Oct 5	Financial Leasing: Evaluation of Financial Leases Explanations for financial leasing CWS 4 th edition, Ch 17 A-B
Oct 12	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.