

Victoria International Applied Finance Programme
School of Economics and Finance

MMAF530 SPECIAL TOPIC: APPLIED REAL OPTIONS

Trimester One 2010

COURSE OUTLINE

Contact Details

The course coordinator is Graeme Guthrie, Room RH326. Preferred contact is by email at graeme.guthrie@vuw.ac.nz

The administrator for this course is Anna Potts, RH307. She can be contacted on (04) 463 6148 or viaf-programme@vuw.ac.nz

Withdrawal from Courses

Information available via

Withdrawal dates: Late withdrawals with Associate Dean (Students) permission
(See Section 8: Withdrawals - from the Personal Courses of Study Statute)
<http://policy.vuw.ac.nz/Amphora!~~policy.vuw.ac.nz~POLICY~000000001743.pdf>

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

Block Release Times

- 9:30am Wednesday, 7th April – 12:30pm Friday, 9th April 2010
- 9:30am Wednesday, 9th June – 12:30pm Friday, 11th June 2010

A detailed schedule of each block release course will be supplied closer to the April and June sessions.

Attendance at all sessions of both block releases is compulsory.

Course Content

- Block release #1: an introduction to real options and the analytical framework; valuation of single- and multi-period cash flows; dynamic programming; simple timing options.
- Block release #2: compound timing options and extensions; switching options; calibration and implementation of real option models.

Course Learning Objectives

Students should be able to:

- estimate the values of the parameters needed to implement the real options approach to decision making

- identify the most important options embedded in a decision problem and represent them using a decision tree
- use dynamic programming and modern theories of asset valuation to derive an optimal decision rule
- communicate the results of real options analysis at a level that senior decision makers can understand

Course Delivery

The contact hours of the course will be during the two block releases detailed above. During the rest of the trimester, students will be expected to be engaged in self directed study using their textbooks and material posted on Blackboard, and completing assignments which will be posted on Blackboard.

Expected Workload

Average workload of 200 hours. During the approximately 6 weeks of term prior to each block release, students will need to allow about 14 hours per week for study and preparation of assignments for this course. The two block courses each involve approximately 18 hours of work.

Readings

The textbook provided for the course is

- Graeme Guthrie (2009). *Real Options in Theory and Practice*. New York: Oxford University Press.

The first block release covers material in Chapters 1-7 of the textbook. The second block release covers material in Chapters 8-10, 12, and 14. A detailed reading guide will be provided.

Materials and Equipment

It is necessary to bring a calculator to the block courses. A good financial calculator such as the HP17BII or HP10BII is strongly recommended. During tests students will be allowed to use calculators, but not hand held or other computers.

Assessment Requirements

The following schedule of assessment applies:

Exams:	One test at each block release session based on reading assigned for period leading up to the block release and material presented at the block release. These are worth 35% each. Please bring your calculator.	70%
Assignments:	Two assignments, which are each worth 15%. Scheduled due dates for the assignments are 4 pm Monday 26 th April 2010 4 pm Monday 28 th June 2010	30%

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 inform 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

MMAF530 has no formal examination, but does have the two tests detailed above.

Penalties

Each of the assignments will be marked out of a maximum that diminishes by 5% for every day late, with a weekend counting as one day. The date of submission shall be taken as the date of delivery. Please carefully read the assignment guidelines for details of how assignments should be submitted. There will be a final cut off date, one week after the due date for each assignment, after which no assignment can be accepted. The assignments will each carry a specified word limit. If an assignment exceeds the word limit, credit will be given only from the beginning of the assignment up to the word limit. No credit will be given for the portion of work extending beyond the word limit.

Mandatory Course Requirements

To pass, a student must: (i) attend all sessions of both block release courses; (ii) obtain an average mark of at least 50% over total course assessment; (iii) obtain an average mark of at least 45% over the two tests.

Class Representative

A class representative will be elected at the start of the trimester, and that person's name and contact details will be available to VUWSA, the Course Coordinator and the class. The class representative provides a communication channel to liaise with the Course Coordinator on behalf of students.

Communication of Additional Information

Additional information including assignment questions, details of the block course schedule, feedback on course assessments, etc will be provided via Blackboard, email or by post. Students are responsible for ensuring that the VIAF administrator, (email: viaf-programme@vuw.ac.nz), has their up to date email and postal addresses.

If you have, or become aware of, any health condition that could prevent you attending a VIAF compulsory block release, then you should notify the Programme Director immediately, preferably by email, dawn.lorimer@vuw.ac.nz.

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 compares submitted work with a very large database of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and subject to checking by Turnitin. 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.

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>

AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support

http://www.victoria.ac.nz/home/about_victoria/avcadademic/Publications.aspx

Faculty of Commerce and Administration Offices
<http://www.victoria.ac.nz/fca/studenthelp/>

Manaaki Pihipihinga Programme
http://www.victoria.ac.nz/st_services/mentoring/