

VICTORIA INTERNATIONAL APPLIED FINANCE PROGRAMME  
School of Economics and Finance

**MMAF502 CORPORATE FINANCE**

Trimester Two 2010

**COURSE OUTLINE**

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**Names and Contact Details**

The course lecturer is Michael Keefe.

Room RH329.

Email: [michael.keefe@vuw.ac.nz](mailto:michael.keefe@vuw.ac.nz)

Phone: 04 4635708

Office Hours: by appointment

The administrator for this course is Anna Potts.

Room RH307

Email: [viaf-programme@vuw.ac.nz](mailto:viaf-programme@vuw.ac.nz)

Phone: 04 4636148

**Trimester Dates**

Study/Teaching Period: Monday 12<sup>th</sup> July – Monday 18<sup>th</sup> October

Block Release Times:

9am August 21<sup>st</sup> – 1pm August 23<sup>rd</sup>

9am August 16<sup>th</sup>–1 pm October 18<sup>th</sup>

**Withdrawal from Courses:**

Your fees will be refunded if you withdraw from this course on or before **23 July 2010**

The last date for withdrawal from this course is **Friday 24 September**. After that date, permission to withdraw requires the permission of the Associate Dean (Students) as set out in section 8 of the Personal Courses of Study Statute

<http://policy.vuw.ac.nz/Amphora!~~policy.vuw.ac.nz~POLICY~000000001743.pdf>

To apply for permission, fill in the Late Withdrawal form available from either of our Student Customer Service Desks.

## Course Content

The course provides a thorough understanding of the fundamental concepts of Corporate Finance. Topics covered include financial statement analysis, discounted cash flow and interest rates, investment decision making, the risk and return underpinnings of the cost of capital, options and their application to corporate finance and capital structure theories. Lastly, the course reviews the securities issuance process and some empirical regularities associated with that process.

## Course Learning Objectives

On completion of the course students should be able to:

- Evaluate agency problems based upon firm structure
- Interpret financial statements relative and develop project cash flows from those statements.
- Apply discounted cash flow methodologies using sensitivity, scenario, and break-even analysis
- Evaluate the trade-off of risk and return, distinguish between systematic and idiosyncratic risk, and calculate the WACC for firms and projects.
- Diagram the issuance process of securities and interpret first trading day return using agency and risk models.
- Learn the fundamentals of option pricing. Express the claims of the equity and debt holders of the firm in terms of options. Apply option pricing methodologies to corporate finance problems (real options).
- Evaluate capital structure decisions using the trade-off model, real-option model, and agency theories.

## 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. **Attendance at all sessions of both block releases is compulsory.**

## Expected Workload

Total 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, research and preparation of assignments for this course. The two block courses each involve approximately 18 hours of work.

## Readings

Ross, Stephen A., Randolph W. Westerfield, and Jeffrey Jaffe. Corporate Finance. McGraw-Hill Irwin; New York, 9<sup>th</sup> Edition, 2010

## 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. You should also have access to Excel from Microsoft Office 2007 (this is available in the student labs on campus).

## **Assessment Requirements**

Your final mark is based upon tutorial questions (20%), a project (20%) and two tests (60%).

Tutorial questions will assess specific learning objectives whereas the project will require you to apply your knowledge across learning objectives. The tests are 2 hours in length and conducted at the end of each block release.

Prior to the first block session, tutorial questions are due on 26 July and 9 August. Prior to the second block session tutorial questions are due on 6 September and 20 September.

The project due date is 4 October.

*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**

There are no examinations within this course.

## **Penalties**

Each of the assignments will be marked out of a maximum that diminishes by 5% for every day late. Please note that the weekend no longer counts as one day (i.e. if an assignment is due by 4pm Friday and you hand it in 3pm Sunday, you will be penalized for 2 days). 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.

When assignments carry a specified word limit, for any assignment that 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**

Attendance at all sessions of both block releases is compulsory.

## **Class Representative**

A statement that a class representative will be elected in the first class, 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](mailto: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](mailto: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/avcacademic/Publications.aspx](http://www.victoria.ac.nz/home/about_victoria/avcacademic/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/](http://www.victoria.ac.nz/st_services/mentoring/)