

School of Accounting and Commercial Law

## **MMPA 514 ADVANCED FINANCIAL MANAGEMENT**

Trimester One 2011

### **COURSE OUTLINE**

---

#### **Names and Contact Details**

*Course Coordinator &  
Lecturer:*

Tina Wendel RH302 463-5239  
Email: [Tina.Wendel@vuw.ac.nz](mailto:Tina.Wendel@vuw.ac.nz)  
Office hours: Wednesday,  
28 February – 8 April 2011, 4.00pm – 5.00pm  
11 April – 3 June 2011, 11am – 12.00pm

*Course Administrator:*

Lee Vassiliadis RH 708 463-5383  
Email: [Lee.vassiliadis@vuw.ac.nz](mailto:Lee.vassiliadis@vuw.ac.nz)  
(Office hours: Monday-Friday 8.30am-5pm)  
Office is closed: 10.30-10.45am and 3.30-3.45pm.)

#### **Trimester Dates**

**Teaching Period:** Monday 28<sup>th</sup> February-Friday 3<sup>rd</sup> June 2011

**Study Period:** Monday 6<sup>th</sup> June – Thursday 9<sup>th</sup> June 2011

**Examination Period:** Friday 10<sup>th</sup> June – Saturday 2<sup>nd</sup> July 2011 (inclusive)

**Mid Trimester Break:** Monday 18 April – Friday 29 April 2011

#### **Withdrawal from Courses**

Your fees will be refunded if you withdraw from this course on or before **11 March 2011.**

The last date for withdrawal from this course is **14 May 2011.** After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an 'Application for Associate Dean's Permission to Withdraw Late' including supporting documentation.

The application form is available from either of the Faculty's Student Customer Service Desks.

**Class Times and Room Numbers****Wednesday:** 17:40-20:30**Venue:** Room 315, Railway West Wing, Pipitea Campus**Course Content**

<b>Lecture</b>	<b>Topic</b>	<b>Content</b>	<b>Readings and preparations</b>
1	Financial performance analysis and short term financial management	Presentations: Financial ratios and funds flow analysis, Operating and cash cycle  Case study: Introduction to Butler Lumber Company – Profit rich and cash poor	RWJ: Chapter 2
2	Financial forecasting and short term finance	Case study: Butler Lumber - financial performance analysis  Presentations: Financial planning, external required funding, funding approaches of current and permanent current assets	RWJ: Chapters 3, 26.3  Case study: Butler Lumber Company
3	Managing growth	Case study: Butler Lumber Company – Financial forecasting and external funding requirements  Presentations: Managing growth, sustainable growth rate	RWJ: Chapter 3, 26.1, 26.2  Case Study: Butler Lumber Company
4	Valuation of equity; and equity as long term financing option	Presentations: Characteristics of equity, overview valuation methods, equity valuation - Dividend Discount Models, issuing shares of stock, preferred shares	RWJ: Chapters 9 and 20
5	Valuation of corporate bonds; and debt as a long term financing options	Presentations: Types and characteristics of bonds, pricing of bonds, yield to maturity, yield curve, credit ratings	RWJ: Chapters 8 and 15
6	Financing decision, debt vs. equity finance	1 <sup>st</sup> part: Test (90 min)  2 <sup>nd</sup> part: Presentations: Financing decision framework FRICTO	

<b>Lecture</b>	<b>Topic</b>	<b>Content</b>	<b>Readings and preparations</b>
7	Financing decision and alternative forms of external funding: Private Equity	Case study: Continental Carriers: debt vs. equity finance  Guest speaker: Nigel Bingham, Executive Director, Pencarrow Private Equity Limited	Case study: Continental Carriers
8	Evaluating investment decisions	Presentations: Capital budgeting decisions, incremental cash flows and pitfalls, coping with uncertainty  Mini case study: Goodweek Tires	RWJ: Chapter 6 and 7, Goodweek Tires, pages 204 to 205
9/10	Discounted Cash flow analysis, Cost of capital and the value of the firm	Presentations: Recap capital structure, the relationship between leverage, cost of equity and cost of capital. Estimate the cost of levered and unlevered equity, cost of debt, debt ratings. Apply discounted cash flow analysis valuing a company on the base of the Nike Inc case study.  Case study: Nike Inc., Cost of Capital	RWJ: Chapters 15, 16.1, 16.2, 16.3, 16.4, 16.5, 17, 18  Recap chapters: 2.1, 3.2, 8.1  Case study: Nike Inc., Cost of Capital
11	Special topics, Mergers and Acquisitions and the value of the firm	Presentations: History of mergers, merger motives, antitakeover measures, payment methods, valuation methods – DCF and multiples, return on mergers, other forms of restructuring	RWJ: Chapter 29
12	M&A and Recap	Case study: Exxon-Mobil merger  Recap	Case study reading: The Exxon-Mobil merger: An Archetype

### **Course Learning Objectives**

By the end of this course, students should be able to: understand and apply corporate finance strategies including financial performance analysis, financial forecasting, sources of short term finance, long term financing decisions, pricing of bonds and equity, investment decisions, capital structure, cost of capital, company valuations and mergers and acquisition strategies.

### **Course Delivery**

The course is largely built on case studies which allow students to understand the context and applications of corporate finance strategies.

### **Expected Workload**

Students will be expected to spend 14 hours each week on this course. There will be one lecture per week (three times 50 minutes). Part of the lecture time will be dedicated to class discussion, case study material or text book tutorial problems. Case study readings and tutorials will be assigned prior to the classes. Students will read and analyse case studies and work through tutorial material.

### **Readings**

The set text book is:

Ross, Westerfield, Jaffe, Corporate Finance, 9<sup>th</sup> edition, 2010, McGraw-Hill/Irwin

Paper copies of case studies will be handed out in class.

Further readings for this course may be posted on Blackboard.

### **Assessment Requirements**

Test 20%; Individual assignment 20%; Final Examination 60%.

The Test (90 minutes) will be held in lecture room (RWW 315) at 17.45 on Wednesday, 6 April 2011 (week 6). The Test will be based on the material covered in the first five weeks of the course.

Individual assignments are due at 4pm on 30 May 2011. Late assignments will be penalised with 2% per (working day).

The Final Examination is 3 hours long.

Only silent non-programmable calculators are permitted in the Test and Final Examination.

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**

Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period. The final examination for this course will be scheduled at some time during the period from **Friday 10<sup>th</sup> June – Saturday 2<sup>nd</sup> July 2011**.

### **Mandatory Course Requirements**

There are no mandatory course requirements.

### **Class Representative**

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 via a Blackboard posting. The class representative provides a communication channel to liaise with the Course Coordinator on behalf of students.

### **Communication of Additional Information**

Additional information will be available on Blackboard.

### **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**

Find key dates, explanations of grades and other useful information at [www.victoria.ac.nz/home/study](http://www.victoria.ac.nz/home/study)

Find out about academic progress and restricted enrolment at <http://www.victoria.ac.nz/home/study/academic-progress.aspx>

The University's statutes and policies are available at [www.victoria.ac.nz/home/about/policy](http://www.victoria.ac.nz/home/about/policy), except qualification statutes, which are available via the Calendar webpage at <http://www.victoria.ac.nz/home/study/calendar.aspx> (See Section C).

Further information about the University's academic processes can be found on the website of the Assistant Vice-Chancellor (Academic) at [www.victoria.ac.nz/home/about\\_victoria/avcacademic/default.aspx](http://www.victoria.ac.nz/home/about_victoria/avcacademic/default.aspx)

### **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/)