

VICTORIA INTERNATIONAL APPLIED FINANCE PROGRAMME
School of Economics and Finance

MMAF502 CORPORATE FINANCE

Trimester Two 2011

COURSE OUTLINE

Names and Contact Details

The course lecturer is Michael Keefe.

Room RH329.

Email: 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

Phone: 04 4636148

Trimester Dates

Study/Teaching Period: Monday 11th July – Thursday 27th October

Block Release Times:

9am August 30th – 1pm September 1st

9am October 25th – 1 pm October 27th

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before 22 July 2011.
2. The standard last date for withdrawal from this course is Friday 23 September. 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

Block Release Times:

9am August 21st – 1pm August 23rd
9am October 25th – 1 pm October 27th

Lecture Location: Murphy Bldg 632

Lab Location: Computer Lab KK216

Test Location: MYLT220

Please note these are subject to change; a more detailed schedule will be posted on Blackboard before each Block Release.

Course Content

The course provides a thorough understanding of the fundamental concepts of Corporate Finance. Topics covered include the discounted cash flow valuation, interest rates, investment decision making, the risk and return underpinnings of the cost of capital, options and their application to corporate finance, capital structure theories, securities issuance, mergers and acquisitions and financial distress.

Course Learning Objectives

On completion of the course, students should:

1. Interpret financial statements and develop cash flows from those statements at both the firm and project level.
2. Solve financial problems using discounted cash flow valuation.
3. Evaluate projects using sensitivity, scenario, break-even, and decision trees analysis.
4. Deconstruct interest rates into the real and inflationary components. Describe the effect of inflation on financial decision making.
5. Apply the lessons of market history and the consequent apparent trade-off between risk and return.
6. Distinguish between systematic and idiosyncratic risk, value stocks and bonds, and estimate the Weighted Average Cost of Capital (WACC) for firms and projects.
7. Explain different models of the capital structure. Using these models, construct the target debt to equity ratio.
8. Evaluate projects using Flow to Equity (FTE) and Adjusted Present Value (APV) techniques.
9. Evaluate the claims of the stockholders and lenders using option pricing models. Describe the agency issues these claims create.
10. Appraise merger opportunities from the perspective of both the bidding and target firms.

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

The expected workload for the average student is 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, 9th Edition, 2010

Other material, such as case studies, will be provided on blackboard.

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

Assessment Requirements

Your final grade is based upon three sets of tutorial questions (15%), one project (15%) and two tests (70%). Assessment due dates and the associated learning objectives are defined below:

Assessment	Due Date	Learning Objectives
Tutorial Questions 1	1-Aug-11	1, 2
Tutorial Questions 2	22-Aug-11	3, 4, 5, 6
Project	19-Sep-11	1-7
Tutorial Questions 3	10-Oct-11	9, 10

The tests are 2 hours in length and conducted at the end of each block release.

Where applicable, word limits will be provided with pieces of assessment.

Quality Assurance 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 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.

Mandatory Course Requirements

Attendance at all sessions of both block releases is compulsory.

Class Representative

A class representative will be elected in the first class, and that person's name and contact details made 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.

Use of Turnitin (if applicable)

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

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, 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

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

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

Faculty of Commerce and Administration Offices

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

Te Putahi Atawhai

Maori and Pacific Mentoring Programme
http://www.victoria.ac.nz/st_services/tpa/index.aspx