

School of Management

MMBA 516 CORPORATE FINANCE

Trimester Two 2011

COURSE OUTLINE

Names and Contact Details

The course lecturer and course coordinator is Michael Keefe.

Room RH329.

Email: michael.keefe@vuw.ac.nz

Phone: 04 463 5708

Office Hours: by appointment

The administrator for this course is Linda Walker.

Room RH1004

Email: linda.walker@vuw.ac.nz

Phone: 04 463 5084

Trimester Dates

Teaching Period: Monday 11 July – Friday 14 October

Study Period: Monday 17 October – Thursday 20 October

Examination Period: Friday 21 October – Saturday 12 November (inclusive)

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

Building: Government Building

Lecture Location: GBLT4

Day: Wednesday

Time: 5:40 pm – 7:30 pm

Building: Railway West

Lab 1 Location: RWW102

Lab 2 Location: RWW302

Day/Time: Part of class period

Course Content

The course provides a thorough understanding of the fundamental concepts of Corporate Finance. Topics covered include 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 as well as capital market issuance policies.
8. Evaluate the claims of the stockholders and lenders using option pricing models. Describe the agency issues these claims create. Price callable and convertible bonds.
9. Appraise merger opportunities from the perspective of both the bidding and target firms.
10. Evaluate the effect of firm operating requirements on financial distress and cash policies.

Course Delivery

Course delivery consists of twelve 1 hour and 50 minute lectures.

Expected Workload

Workload expectations for this course are 10 hours per week for the 12 teaching weeks and 30 hrs during the mid-trimester break.

Group Work

There is no group work.

Readings

The *required* textbook is: Ross, Stephen A., Randolph W. Westerfield, and Jeffrey Jaffe. Corporate Finance. McGraw-Hill Irwin; New York, 9th Edition, 2010

Materials and Equipment

A good financial calculator (e.g. TI BAII Plus or Professional) is required for both class and for tutorial problems. Because the syntax differs by manufacturer, you need to practice using the calculator when preparing tutorial assignments. Microsoft Office 2007 Excel will be used during labs.

Links to different financial calculators are below:

- http://education.ti.com/educationportal/sites/AUS-NZ/sectionHome/aus-nz_product_financial.html
- <http://h20426.www2.hp.com/product/calculators/nz/en/financial/17bIIplus/>
- <http://www.casionz.co.nz/default.asp?ObjectID=270>

Assessment Requirements

Your final grade is based upon ten tutorial exercises (20%), a midterm (30%), and an exam (50%). The table below reports the assessment, due date (or date held), the related learning objective(s), and the percentage of the total grade.

Assessment	Due Date	Learning Objectives	Total Grade Percentage
Set 1	20-Jul-11	2	2%
Set 2	27-Jul-11	2	2%
Set 3	3-Aug-11	1, 2, 3	2%
Set 4	10-Aug-11	1-5	2%
Set 5	17-Aug-11	1-6	2%
Test	7-Sep-11	1-6	30%
Set 6	14-Sep-11	1-7	2%
Set 7	21-Sep-11	8	2%
Set 8	28-Sep-11	8	2%
Set 9	5-Oct-11	1-9	2%
Set 10	12-Oct-11	7	2%
Exam	tbd	1-10	50%
Total			100%

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

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 21 October – Saturday 21 November.

Penalties

Assignments handed in late will not be marked. If a satisfactory medical certificate is provided, the weight from the assignment will be shifted onto the other pieces of assessment; otherwise, the assignment score will be recorded as 0.

Grading Guidelines

Victoria Post Experience Grading Standards are as follows:

Excellent Category

A- (75 – 79%) to A (80 – 84%) to A+ (85% and above): The learning is demonstrated to a very high level of proficiency, i.e. it is at a standard that makes it exceptional at Master's level.

Very Good Category

B+ (70 – 74%): The learning is demonstrated at a high standard. Students have reached a level that clearly exceeds “competency”.

Good Category

B (65 – 69%): The learning is clearly demonstrated without being exceptional in any way. Students can be thought of as fully competent.

Satisfactory Category

B- (60 – 64%): The learning is demonstrated without being exceptional in any way. Students can be thought of as competent.

Marginal Category

C (50 – 54%) to C+ (55 – 59%): The learning is demonstrated to a minimally acceptable level. There may be flaws but these are not serious enough to “fail” the student.

Unsatisfactory / Failure Category

E (0 – 39%) to D (40 – 49%): The learning is absent or performed to a very low level, or the performance is seriously flawed.

Mandatory Course Requirements

- comprise: i) submission of **all** assignments **by the due dates**
- ii) obtaining **at least 40%** (out of 100% or 20/50) in the exam.

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

Course documents and other information will be available on the course website at <http://blackboard.vuw.ac.nz>. Announcements will also be posted there.

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