

School of Economics and Finance

FINA201: INTRODUCTION TO CORPORATE FINANCE

Trimester One 2012

COURSE OUTLINE

Names and Contact Details

The Course Coordinator and lecturer for weeks 4-12 of the course is Martin Lally, RH 301, ext 5998, martin.lally@vuw.ac.nz. Students are free to contact him at any time.

Michael Keefe, RH 329, ext 5708 is the lecturer for the course during weeks 1-3 only. Available by appointment during the first three weeks of term; to request an appointment send an email to michael.keefe@vuw.ac.nz.

Trimester Dates

Teaching Period: Monday 5 March – Friday 8 June

Study Period: Monday 11 June – Thursday 14 June

Examination Period: Friday 15 June – Wednesday 4 July (inclusive)

Withdrawal from Course

Course withdrawals are subject to the following:

1. Your fees will be refunded if you withdraw from this course on or before Friday 16 March 2012.
2. The standard last date for withdrawal from this course is Friday 18 May. 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

Lectures are provided in two streams, with the first stream on Monday and Wednesday at 9.30am to 10.20am (RHLT1) and the second stream on Monday and Wednesday at 1.40pm to 2.30pm (RHLT1). Each student will be allocated to one of these two streams. Tutorials are available as indicated on the S-cubed system as described below.

Course Learning Objectives

By the end of this course, students should be able to:

- (C1) describe the theoretical underpinnings and use of the net present value method to value bonds, shares and investments, in terms of (i) the time value of money (compounding &

discounting), (ii) the use of the market determined risk adjusted discount rate and (iii) the determination of the relevant cash flows

(C2) explain the weaknesses of the alternatives to the NPV method

(C3) analyse capital structure theorems and their influence on value and risk

(C4) apply the above skills to determine the value of a proposed investment

Course Delivery

The delivery of the course will involve tutorials during seven of the weeks in the course, starting in the third week. Tutorial assignments will be distributed in the preceding week's lecture class, and should be completed in preparation for the tutorial class. Tutorial attendance is desirable but not compulsory. Students should choose and sign up for a tutorial through S-Cubed at <http://signups.victoria.ac.nz>, this is available from 5pm on Thursday 1 March to 5pm on Friday 9 March – follow the onscreen instructions.

Expected Workload

The anticipated workload is about 10 hours per week, comprising two hours for lectures, one hour for a tutorial, three hours to prepare the tutorial assignment, and four hours for reading.

Readings

The prescribed text is S. Ross, R. Westerfield and J. Jaffe, *Corporate Finance*, 9th edition, McGraw-Hill Irwin, 2010 (RWJ). The readings for each week are indicated in the attached Course Content schedule.

The examinable material constitutes the lecture material and tutorial assignments. The prescribed reading is intended to assist in the comprehension of this. Accordingly it should be read prior to the relevant lectures, and possibly also afterwards as a follow-up.

Materials and Equipment

Students are permitted to use electronic calculators in the exams, providing that they are not programmable and do not have a full set of alphabetic keys. Calculators will be checked for compliance.

Assessment Requirements

Assessment for the course will be determined in the following way. The following rule is initially applied:

In-Term Test 12 May, 12.45-2.45pm (LT1, LT2, LT3), course objectives C1, C2: weight 30%

Final Exam (in the period 15 June to 4 July incl), 3 hrs, course objectives C1–C4: weight 70%

If this assessment rule yields a fail, and shifting the weight on the in-term test to the final exam yields a pass, then the student will be granted 50%. For example, if the student's results are 40% and 60% for the in-term test and the exam respectively, then application of the initial rule yields an overall result of 54%. This is a pass, and therefore is not altered. By contrast, if the student's results are 20% and 55%, application of the initial rule yields an overall result of 45%, which is a fail; shifting all of the weight to the final exam yields an overall result of 55%, which is a pass, and therefore the student would be given 50%.

The in-term test will be multi-choice and cover the material presented in lectures in the first six weeks (and the associated tutorial assignments). The final exam will be of conventional form and cover the entire course, with about 30% based on the first six weeks material and the remaining 70% on the last six weeks material.

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 15 June – Wednesday 4 July (inclusive).

Penalties

Not applicable.

Mandatory Course Requirements

None.

Class Representative

A class representative will be sought 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 will be conveyed by Blackboard.

Additional Courses

Students anticipating undertaking 400 level Finance, or who anticipate working in the finance industry, are strongly advised to undertake more mathematics/statistics than that prescribed as a prerequisite for FINA201 and FINA202. Relevant statistics courses are QUAN 201, 202, ECON 301, 303 and STAT 292, 293, 332 and 391. The relevant mathematics courses are QUAN203 and MATH 243, 244 and 301.

In addition, students who anticipate working in the finance industry are strongly advised to undertake courses in financial accounting, since Annual Reports are significant sources of information in valuing companies. The relevant courses are ACCY 231, 306 and 308.

Students anticipating 400 level study need to ensure that they have the appropriate undergraduate pre-requisites to permit a full programme at 400 level. Such students are strongly encouraged to discuss this with a member of the School of Economics and Finance (SEF) before they finalise their courses for their final undergraduate year.

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/tpa/>

Course Content & Background Reading

Week Beginning Subject/Background Reading

March 5 Introduction
RWJ Ch 1, 2

March 12 Capital Budgeting: Discounting and the NPV rule
RWJ Ch 4

March 19 Capital Budgeting: Alternative Approaches
RWJ Ch 5

March 26, April 2 Capital Budgeting: Determination of Expected Cash Flows
RWJ Ch 6

April 23 Capital Budgeting: Sensitivity Analysis and Options
RWJ Ch 7

April 30, May 7 Capital Structure
RWJ Ch 16

May 12 **TEST** (12.45-2.45pm, covering the first six weeks material, rooms RHLT1, RHLT2, RHLT3)

May 14, 21, 28 Weighted Average Cost of Capital: Theory and Estimation
RWJ Ch 13

June 4 Dividend Policy
RWJ Ch 19

Background reading should be done prior to the relevant lectures in order to obtain the maximum benefit from it, and possibly also after it as a follow-up.