

School of Economics and Finance

FINA201: INTRODUCTION TO CORPORATE FINANCE

Trimester 1, 2013

COURSE OUTLINE

Names and Contact Details

The Course Coordinator and lecturer for the course is Martin Lally, RH301, ext 5998, martin.lally@vuw.ac.nz. Students are free to contact him at any time.

The Course Administrator is Bonnie Riley, RH321, ext 5380, bonnie.riley@vuw.ac.nz. Office hours are M-F 9am-midday and 1-4pm.

Trimester Dates

Teaching Period: Monday 4 March – Friday 7 June

Study Period: Monday 10 June – Thursday 13 June

Examination Period: Friday 14 June – Wednesday 3 July (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 15 March 2013.
2. The standard last date for withdrawal from this course is Friday 17 May 2013. 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 on Monday and Fridays at 10.30am to 11.20am (RHLT1). Tutorials are available via the S-cubed system as described below.

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.

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 Content

The attached Course Content Schedule provides the course content along with readings from the prescribed text (S. Ross, R. Westerfield and J. Jaffe, *Corporate Finance*, 10th edition, McGraw-Hill Irwin, 2012: RWJ). However the 9th edition is almost identical.

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.

The delivery of the course will involve tutorials during seven of the weeks in the course, in the weeks beginning March 18, March 25 (or April 1 for tuts on Thurs/Friday), April 15, May 6, May 13, May 27, and June 3. 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 will be available from 5pm on Monday 4 March to 5pm on Monday 11 March – follow the onscreen instructions.

Assessment

Assessment for the course will be as follows:

In-Term Test Saturday 4 May, 10.30am-12.30pm (RHLT1, GBLT1, GBLT2), course objectives C1, C2: weight 30%.

Final Exam (in the period 14 June to 3 July), 3 hours, course objectives C1–C4: weight 70%.

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.

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 14 June – 3 July.

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.

Mandatory Course Requirements

None.

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 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 analysing 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.

Link to general information

For general information about course-related matters, go to

<http://www.victoria.ac.nz/vbs/studenthelp/general-course-information>

Note to Students

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 academic audit. The findings may be used to inform changes aimed at improving the quality of VBS programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

Course Content & Background Reading

| <u>Week Beginning</u> | <u>Subject/Background Reading</u> |
|-----------------------|---|
| March 4 | Introduction RWJ Ch 1, 2 |
| March 11 | Capital Budgeting: Discounting and the NPV rule RWJ Ch 4 |
| March 18 | Capital Budgeting: Alternative Approaches RWJ Ch 5 |
| March 25*, April 8 | Capital Budgeting: Determination of Expected Cash Flows RWJ Ch 6 |
| April 15 | Capital Budgeting: Sensitivity Analysis and Options RWJ Ch 7 |
| April 29, May 6 | Capital Structure RWJ Ch 16, Ch 17 |
| May 4 | TEST (10.30am-12.30pm, covering the first six weeks material, rooms RHLT1, GBLT1, GBLT2) |
| May 13, 20, 27 | Weighted Average Cost of Capital: Theory and Estimation RWJ Ch 13 |
| June 3 | 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.

* The week beginning March 25 refers to the period from March 25 to April 5.