

School of Economics and Finance

FINA301 CORPORATE FINANCE

Trimester 2, 2013

COURSE OUTLINE

Names and Contact Details

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

Trimester Dates

Teaching Period: Monday 15 July – Friday 18 October

Study Period: Monday 21 October – Thursday 24 October

Examination Period: Friday 25 October – Saturday 16 November (inclusive)

Withdrawal from Course

Your fees will be refunded if you withdraw from this course on or before Friday 26 July 2013. The standard last date for withdrawal from this course is Friday 27 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

Lectures are on Tuesday and Friday 15.40-16.30 (RHLT2).

Course Delivery

The delivery of the course will involve eight tutorials, commencing in the third week. Tutorial assignments will be posted to Blackboard by Friday in the preceding week, and should be completed in preparation for the tutorial class. Tutorial attendance is not compulsory but is highly beneficial.

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.

Prescription

Significant aspects of financial decision making by firms, including capital structure, capital budgeting, and dividend decisions. The primary focus will be upon normative theory, i.e. decisions that maximise the market value of the firm.

Course Learning Objectives

The course learning objectives involve demonstrating an understanding of the theories and practices of corporate finance to an advanced undergraduate level (C1), of the role of taxes in capital structure decisions (C2), of the role of bankruptcy risk in capital structure decisions (C3), of the range of approaches to project valuation (C4), of the role of options in project valuation (C5), of how to assess merger and takeover proposals (C6), of how to evaluate financial leases (C7), and of the role of taxes in dividend decisions (C8).

Course Content

See page 4.

Readings

The prescribed text is T. Copeland, J. Weston and K. Shastri, *Financial Theory and Corporate Policy*, 4th edition, Pearson Addison Wesley, 2005 (CWS). The readings for each week are indicated in the attached Course Content schedule. A copy of the readings from the 3rd edition (CW) will be placed on Blackboard.

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

None.

Assessment Requirements

Assessment for the course will be determined in the following way.

In-Term Test Sept 14, 10.30am-12.30pm, RHLT1, course objectives C1-C5	30%
Final Exam (in the period Oct 25-Nov 16), course objectives C1-C8	70%

The In-Term test will cover the material presented in lectures in the first six weeks (and the associated tutorial assignments). The final exam will cover the entire course, with about 30% based on the first six weeks material and the remaining 70% on the last six weeks material. Only calculators that are non-programmable and without a full set of alphabetic keys are permitted.

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 25 October – Saturday 16 November.

Penalties

Not applicable.

Mandatory Course Requirements

There are no mandatory requirements for passing the course.

Class Representative

A class representative will be elected in the first week of classes, 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 QUAN 203, 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, 308.

Students anticipating 400 level study need to ensure that they have the appropriate undergraduate pre-requisites to permit a full 8 course 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

<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>
July 15, 22, 29	Capital Structure Policy: MM Propositions Implications of personal taxes Implications of bankruptcy costs CWS 4 th edition, Ch 15A-C, E-H CW 3 rd edition, Ch 5 Appendix C
Aug 5, 12, 19 Sept 9	Capital Budgeting Policy: Application of the CAPM and Arbitrage Pricing to project valuation Abandonment and timing options Replicating projects CWS 4 th edition, Ch 2 A-E, G, Ch 9 CW 3 rd edition, Ch 3 C, Ch 12 F
Sept 14 (Saturday)	EXAM (covering the first six weeks material, 10.30am-12.30pm, RHLT1)
Sept 16, 23	Mergers & Takeovers: Explanations for Mergers & Takeovers Evaluation of Mergers & Takeovers CWS 4 th edition, Ch 18 A-E CW 3 rd edition, Ch 20 F-G
Sept 30, Oct 7	Financial Leasing: Evaluation of Financial Leases Explanations for financial leasing CWS 4 th edition, Ch 17 A-B
Oct 14	Dividend Policy: Implications of Personal Taxes CWS 4 th edition, Ch 16 A-B

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.