

VICTORIA INTERNATIONAL APPLIED FINANCE PROGRAMME  
School of Economics and Finance

**MMAF502 CORPORATE FINANCE**

Trimester 2, 2014

**COURSE OUTLINE**

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**Names and Contact Details**

The course lecturer is Michael Keefe.  
Room RH329.  
Email: [michael.keefe@vuw.ac.nz](mailto:michael.keefe@vuw.ac.nz)  
Phone: 04 4635708  
Office Hours: by appointment

The administrator for this course is Rachel Zhang.  
Room RH307  
Email: [yiaf-programme@vuw.ac.nz](mailto:yiaf-programme@vuw.ac.nz)  
Phone: 04 4636148

**Trimester Dates**

The study and assessment period is Monday 14 July – Monday 20 October.

Block Release Times:  
8:45am August 23<sup>rd</sup> – 1pm August 25<sup>th</sup>  
8:45am October 18<sup>th</sup> – 1pm October 20<sup>th</sup>

**Withdrawal from Course**

1. Your fees will be refunded if you withdraw from this course on or before Friday 25<sup>th</sup> July 2014.
2. The standard last date for withdrawal from this course is Friday 26<sup>th</sup> 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.

**Block Release Times and Room Numbers**

Block Release One: 8:45am August 23<sup>rd</sup> – 1pm August 25<sup>th</sup>  
Lecture Location: **AM102**  
Lab Location: KK216  
Test Location: AM102/104

Block Release Two: 8:45am October 18<sup>th</sup> – 1pm October 20<sup>th</sup>

Lecture Location: **MY632**

Lab Location: KK216

Test Location: MY631/632

### **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.**

### **Group Work**

There is no group work outside of the block release.

### **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.

### **Prescription**

An in-depth review of the interface between corporate finance and the markets, from the vantage point of the corporate treasurer. Cash flow analysis, discounting in various forms, the cost of capital, the process of setting risk premiums, and internal use of capital. Principles of corporate value, the role of debt and taxation, the valuation of cash flows and companies. Long term financing. Takeovers, mergers and acquisitions.

### **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 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.

## **Readings**

Ross, Stephen A., Randolph W. Westerfield, and Jeffrey Jaffe. Corporate Finance. McGraw-Hill Irwin; New York, 10<sup>th</sup> Edition, 2013

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 (this is available in the student labs on campus).

## **Assessment**

From Trimester 1, 2014, a revised Assessment Handbook will apply to all VUW courses: see <http://www.victoria.ac.nz/documents/policy/staff-policy/assessment-handbook.pdf>.

In particular, there will be a new grade scheme, in which the A+ range will be 90-100% and 50-54% will be a C-.

Your final grade is based upon tutorial questions (12%), one project (15%) and two tests (73%). The tests are 2 hours in length and conducted at the end of each block release. Due dates and the associated learning objectives are defined below:

Assessment	Due Date	Learning Objectives	Total Grade Percentage	Time Allowed in Minutes
Tutorial Questions 1	4-Aug-14	1, 2	3%	
Tutorial Questions 2	22-Aug-14	3-6	3%	
Test 1	25-Aug-14	1-6	36%	120
Project	22-Sep-14	1-7	15%	
Tutorial Questions 3	6-Oct-14	7-10	3%	
Tutorial Questions 4	15-Oct-14		3%	
Test 2	20-Oct-14	1-10	37%	120
Total			100%	

## **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.

### **Use of Turnitin**

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 submitted to Turnitin. A copy of submitted materials will be retained 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.

### **Mandatory Course Requirements**

Attendance at all sessions of both block releases is compulsory.

If you have, or become aware of, any health condition that could prevent your attending a VIAF compulsory block release, then you should notify the Programme Director immediately, preferably by email [dawn.lorimer@vuw.ac.nz](mailto:dawn.lorimer@vuw.ac.nz) and copy the email to [viaf.programme@vuw.ac.nz](mailto:viaf.programme@vuw.ac.nz)

If you cannot complete an assignment or sit a test or examination, refer to [www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat](http://www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat)

### **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.

### **Student feedback**

Student feedback on University courses may be found at [www.cad.vuw.ac.nz/feedback/feedback\\_display.php](http://www.cad.vuw.ac.nz/feedback/feedback_display.php)

### **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.

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