

School of Accounting and Commercial Law

## MMPA 504 FINANCE

Trimester 1, 2015

### COURSE OUTLINE

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#### Names and Contact Details

<i>Course Coordinator &amp; Lecturer</i>	Tina Wendel <a href="mailto:tina.wendel@vuw.ac.nz">tina.wendel@vuw.ac.nz</a> Office Hours: TBA	RH 210	email is preferred
<i>Course Administrator</i>	Rebekah Sage <a href="mailto:rebekah.sage@vuw.ac.nz">rebekah.sage@vuw.ac.nz</a> Office hours: Monday-Friday, 8.30 am – 5.00 pm	RH 728	463 6921

#### Trimester Dates

Teaching Period: Monday 2<sup>nd</sup> March – Friday 5<sup>th</sup> June  
Study Period: Monday 8<sup>th</sup> June – Thursday 11<sup>th</sup> June  
Examination Period: Friday 12<sup>th</sup> June – Wednesday 1<sup>st</sup> July (inclusive)

#### Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 13<sup>th</sup> March 2015.
2. The standard last date for withdrawal from this course is Friday 15<sup>th</sup> 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 or [online](#).

#### Class Times and Room Numbers

Fridays: 8.30 am – 11.20 am;  
Venue: GB LT3 (Government Buildings Lecture Theatre 3), Pipitea Campus

#### Exception:

Lecture 4 will be held on Wednesday, 25<sup>th</sup> March, 9.00 am till 11.50 am, in RWW501  
Lecture 5 will be held on Friday, 27<sup>th</sup> March, 8.30 am to 11.20 am, in Kirk Cyber Labs KK217 and KK218, **Kelburn Campus**.

## Course Delivery

There will be one class per week for the 12 weeks of the semester. On average, the class will be divided into the following sections: (i) a 50 minutes lecture, (ii) 50 minutes of class discussion and (iii) a 50 minutes tutorial session.

## Expected Workload

It is expected that students will work for 150 hours across the course. Lectures account for 36 hours of this time. Accordingly, students are expected to allocate seven hours per week during the teaching weeks (outside of class) to lecture preparation, lecture review, readings, and the mid-trimester test, and a further 30 hours preparing for the examination.

## Prescription

Financial decision-making by firms, and the behaviour of financial markets.

## Course Learning Objectives

Students who are successful in this course will be able to:

- Explain the concept of value creation and critically analyse business decisions with a focus on value maximisation.
- Analyse the investment appraisal process and apply the main appraisal techniques to projects and explain their advantages and disadvantages. Critically analyse how the theme of value creation is operationalised through the net present value concept.
- Explain the concept of risk and return and critically discuss and apply the capital asset pricing model and the weighted average cost of capital in the context of project appraisals.
- Explain and analyse how capital structure decisions create shareholder value.
- Critically explain the benefits and disadvantages created by leverage in a world with taxes and without taxes.

## Course Content

A lecture and reading schedule is provided on the last page of this course outline.

## Readings

The set textbook is:

Ross, Westerfield, Jaffe, *Corporate Finance*, 10<sup>th</sup> ed., 2013, McGraw-Hill Irwin.

Further readings for this course may be handed out in class or posted on Blackboard.

## Materials and Equipment

Only silent non-programmable calculators or silent programmable calculators with their memories cleared are permitted in the test and examination.

## Assessment

The Assessment Handbook will apply to all VUW courses: see

<http://www.victoria.ac.nz/documents/policy/staff-policy/assessment-handbook.pdf>.

Option One		Option Two (if it will benefit the student)	
Mid-Trimester Test (60 minutes, Closed Book)	30%	Exam (2 hours, Closed book)	100%
Exam (2 hours, Closed book)	70%		

*The Mid-Trimester Test will be held on Friday, 24 April 2015 at 8.45 am to 9.45 am in GB LT3. The Mid-Trimester Test will be based on the material covered in Lectures #1 to #5. This test assesses course learning objectives (a) and (b).*

*The Exam will be held during the exam period. The Exam will be based on the material covered in Lectures #1 to #12. This Exam assesses course learning objectives (a)-(e).*

### **Penalties**

Unjustifiable absences from the test will result in a mark of 'zero' for that test and may result in a student not meeting mandatory course requirements.

Students unable to take the scheduled test due to exceptional circumstances, must complete the 'Consideration of Exceptional Personal Circumstances for Tests Application Form' available on Blackboard. Submit this form to MPA Administrator as early as possible, preferably before the test date.

*Note: The submission of an application does not mean that the test requirement has been changed or waived. Penalties, as detailed above, will apply if it is not successful.*

*Exceptional Personal Circumstances* include an impairment assessed by Disability Services, illness, bereavement, circumstances involving the health or wellbeing of a relative or close friend, compulsory attendance at court, national or international representative commitments, significant cultural commitments, or activities in which the student is representing the University.

*Note: Not being organised or failing to plan ahead are **not** exceptional circumstances.*

### **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 following period:

Friday 12<sup>th</sup> June – Wednesday 1<sup>st</sup> July (inclusive)

### **Mandatory Course Requirements**

None.

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)

### **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 concerning this course will be provided in lectures and posted on Blackboard: <http://blackboard.vuw.ac.nz>. Urgent notices will be circulated by email.

### **Student feedback**

Any feedback is considered and followed up.

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.

## Lecture and Reading Schedule

Week/ Date	Topic	Content	Chapter readings
1 & 2 6 March & 13 March	Financial evaluation of investment opportunities	Introduction, discounted cash flows, compounding, discounting, simplifications and amortisation of loans; Tutorials	4
3 & 4* 20 March & 25 March	Financial evaluation of investment opportunities	Lecture notes 3NPV, incremental cash flows, risk analysis, IRR and other investment rules; Tutorials	5, 6, 7.1
5**(lecture 5 held in week 4) 27 March	Financial evaluation of investment opportunities	Case study: Goodweek Tires	Case study
<b>Mid-Trimester Break (Friday 3 April 2015 – Sunday 19 April 2015)</b>			
6 24 Apr	<b>Mid-Trimester Test</b>	Mid-Trimester Test  Start of lecture 7 on Risk and Return	
7 1 May	Risk and Return	Returns, Statistics, Return and risk for portfolios, CAPM	10, 11
8 8 May	Risk and return	Tutorials	
9 & 10 15 May & 22 May	Capital Structure and Cost of Capital	MMI, MMII, Cost of Capital – without taxes and with taxes	11.1, 11.2, 15, 16.1 to 16.5 Recap 2.1, 3.2, 8.1, 13.3
11 29 May	Capital Structure and Cost of Capital	Tutorials	
12 5 June	Capital Structure – other aspects and tutorials	Costs of financial distress	17, 30.1, 30.4

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