

School of Economics and Finance
FINA 301
CORPORATE FINANCE

Trimester 2 2015

COURSE OUTLINE

Names and Contact Details

The Course Coordinator and lecturer for the course is Ingrid Lo .
email: Ingrid.lo@vuw.ac.nz.
Office hours are by appointment.

Trimester Dates

Teaching Period: Monday 13th July – Friday 16th October
Study Period: Monday 19th October – Thursday 22nd October
Examination Period: Friday 23rd October – Saturday 14th November (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 24th July 2015.
2. The standard last date for withdrawal from this course is Friday 25th 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*’ form 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

Lectures are on Thursdays and Fridays from 11.30 to 12.20 in room GBLT4.

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

The course provides a conceptual framework of corporate finance and applies the techniques developed in analysing financial decision making by firms, including capital structure, capital budgeting, and dividend decisions.

Course Learning Objectives

Managers of firms must make decisions regarding which investment projects to undertake (capital budgeting decisions) and how to finance them (capital structure decisions). We analyze both types of decisions. The first part of the course focuses exclusively on capital budgeting decisions, including analyzing projects with embedded options. The second part of the course concentrates on capital structure, extending the treatment of Modigliani and Miller to look at the role of taxes and dividends. The third part of the course examines the interactions between capital budgeting and capital structure decisions.

Course Content

1. Introduction: an overview of corporate finance
 - Objective of a firm
 - Three building blocks: capital budgeting decision, capital structure decision and payout decision
2. Capital budgeting decision
 - Valuating risk-free projects
 - Risk and return
 - Review of CAPM, APT
 - Valuing real assets
 - Real options
 - Cost of capital: cost of equity and cost of debt
3. Capital structure decision
 - Raising capital: the process and the players
 - Basic concepts of capital structure
 - Miller-Modigliani Theorem
 - How taxes affect financing choices
 - Capital structure and corporate strategy
 - Facts about payout policy
 - Payout policy: dividend and share repurchase
 - How taxes affect payout policy
4. Other topics
 - Debt holder-equity holder conflicts
 - Managerial incentives and financial decisions
 - Mergers and acquisitions

Readings

The textbook is Financial Markets and Corporate Strategy, David Hiller, Mark Grinblatt, Sheridan Titman, McGraw-Hill Education 1/10/2011 – Business and Economics.

Materials and Equipment

None.

Assessment

The Assessment Handbook will apply to all VUW courses: see <http://www.victoria.ac.nz/documents/policy/staff-policy/assessment-handbook.pdf>.

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

In-Term Test: Sept 11, 11.30am-12.20pm, 30 %

Final Exam: in the period Oct 23-Nov 14, 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. Only calculators that are non-programmable and without a full set of alphabetic keys are permitted.

Penalties

Not applicable.

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 23rd October – Saturday 14th November (inclusive)

Mandatory Course Requirements

There are no mandatory requirements for passing the course.

If you cannot complete an assignment or sit a test or examination, refer to 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 will be conveyed by Blackboard.

Student feedback

Student feedback on University courses may be found at 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.
