

School of Accounting and Commercial Law

MMPA504 FINANCE

Trimester 1, 2016

COURSE OUTLINE

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:

- (a) Explain the concept of value creation and critically analyse business decisions with a focus on value maximisation.
- (b) 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.
- (c) 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.
- (d) Explain and analyse how capital structure decisions create shareholder value.
- (e) 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.

Trimester Dates

Teaching Period: Monday 29th February – Friday 3rd June

Study Period: Monday 6th June – Thursday 9th June

Examination Period: Friday 10th June – Wednesday 29th June (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 11th March 2016.
2. The standard last date for withdrawal from this course is Friday 13th May 2016. 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](#).

Names and Contact Details

<i>Course Coordinator & Lecturer</i>	Tina Wendel tina.wendel@vuw.ac.nz Office hours: TBA	RH 410	preferred email
<i>Course Administrator</i>	Rebekah Sage rebekah.sage@vuw.ac.nz Office hours: Monday-Friday, 8.30 am-5.00 pm	RH 728	463 6921

Class Times and Room Numbers

Fridays: 8.30 am – 11.20 am;
Venue: RH LT3 (Rutherford House Lecture Theatre 3), Pipitea Campus

Exception:

Lecture 5 will be held on Friday, 8 April 2016, 8.30 am to 11.20 am, in Railway West Wing Cyber Labs RWW 102 and RWW 402 and Government Buildings Cyber Lab GBG01.

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.

Readings

The set textbook is:

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

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

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

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.

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, 15 April 2016 at 8.45 am to 9.45 am in RH 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).

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 10th June – Wednesday 29th June (inclusive)

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 the 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.*

Materials and Equipment

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

Student feedback

Student feedback on University courses may be found at www.cad.vuw.ac.nz/feedback/feedback_display.php.

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.

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 4 March & 11 March	Financial evaluation of investment opportunities	Introduction, discounted cash flows, compounding, discounting, simplifications and amortisation of loans; Tutorials	4
3 & 4 18 March & 1 April	Financial evaluation of investment opportunities	Lecture notes 3NPV, incremental cash flows, risk analysis, IRR and other investment rules; Tutorials	5, 6, 7.1
5* 8 April	Financial evaluation of investment opportunities	Case study: Goodweek Tires	Case study
6 15 Apr	Mid-Trimester Test	Mid-Trimester Test Start of lecture 7 on Risk and Return	
7 22 April	Risk and Return	Returns, Statistics, Return and risk for portfolios, CAPM	10, 11
Mid-Trimester Break (Monday 25 April 2016 – Sunday 1 May 2016)			
8 6 May	Risk and return	Tutorials	
9 & 10 13 May & 20 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 27 May	Capital Structure and Cost of Capital	Tutorials	
12 3 June	Capital Structure – other aspects and tutorials	Costs of financial distress	17, 30.1, 30.4

*Lecture 5 will be held in Computer Labs RWW 102, RWW 402 and GBG01.
