

School of Economics and Finance

## **FINA 301 CORPORATE FINANCE**

Trimester 2, 2016

### **COURSE OUTLINE**

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#### **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**

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

### **Trimester Dates**

Teaching Period: Monday 11<sup>th</sup> July – Friday 14<sup>th</sup> October

Study Period: Monday 17<sup>th</sup> October – Thursday 20<sup>th</sup> October

Examination Period: Friday 21<sup>st</sup> October – Saturday 12<sup>th</sup> November (inclusive)

### **Withdrawal from Course**

1. Your fees will be refunded if you withdraw from this course on or before Friday 22<sup>nd</sup> July 2016.
2. The standard last date for withdrawal from this course is Friday 23<sup>rd</sup> September 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**

The Course Coordinator and lecturer for the course is Ingrid Lo, RWW211, Phone 9680, [Ingrid.Lo@vuw.ac.nz](mailto:Ingrid.Lo@vuw.ac.nz). The office hour is Fridays 14.40-15.30, or by appointment.

Any administrative matters should be brought to attention of Debbie Turner, RH321, Phone 463 6386, or email [Debbie.Turner@vuw.ac.nz](mailto:Debbie.Turner@vuw.ac.nz)

### **Class Times and Room Numbers**

Tuesday and Thursday            14.40-15.30    RHLT2

### **Course Delivery**

The delivery of the course will involve lectures (12 weeks) and tutorials during 8 of the 12 weeks in the course. Tutorial materials will be distributed online in the previous week and should be completed before attending the tutorial class. Students are strongly recommended to attend tutorials, as comprehension of tutorial materials is necessary for the preparation of the in-term test and final exam.

### **Readings**

The textbook is Financial Markets and Corporate Strategy, David Hiller, Mark Grinblatt, Sheridan Titman, McGraw-Hill Education 1/10/2011 – Business and Economics. This is a good modern source, but aimed at a slightly lower level than this course. It will be supplemented by more mathematical material in lectures.

The examinable material constitutes the lecture material and tutorial assignments.

### **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.

## **Assessment**

The Assessment Handbook will apply to all VUW courses: see

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

Your mark will be determined in the following way:

In-term Test1	15%	Thursday, 4 <sup>th</sup> August, 2016
In-term Test2	15%	Thursday, 15 <sup>th</sup> September, 2016
Final Exam	70%	The date will be scheduled during the University exam period

The 35-min in-term test 1 will cover the material presented in the first 4 weeks. The 35-min in-term test 2 will cover the material presented from Week 1 to Week 8. The two-hour final exam will cover the entire 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 following period:

Friday 21<sup>st</sup> October – Saturday 12<sup>th</sup> November (inclusive)

## **Mandatory Course Requirements**

In addition to obtaining an overall course mark of 50 or better, students must sit the in-term test and final examination.

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)

## **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.

## **Materials and Equipment**

Students are permitted to use any electronic calculators in the in-term test, but not those built-in on your mobile phones or tablet computers. The policy concerning the use of calculators in the final exam should be in line with the overall school's guidelines.

## **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).

## **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 regularly be placed on the course Blackboard site. You will also receive emails sent to the email address recorded on Student Records. Please check at the start of the course that this is the address you want to use.

**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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