

MASTER'S OF APPLIED FINANCE PROGRAMME
School of Economics and Finance

MMAF502 CORPORATE FINANCE

Trimester 2, 2016

COURSE OUTLINE

Prescription

An in-depth review of the interface between corporate finance and the markets, from the vantage point of the corporate treasurer. Firm and project valuation through cash flow analysis, discounting in various forms, the cost of capital, the process of setting risk premiums, and risk analysis. The implications of long term financing decision to the cost of capital. Unlock the option value of a project through real options analysis.

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. Construct cost of capital measures that account for international business risk factors.
8. Explain the effect of leverage on risk. Using the trade-off model, recommend the target debt to equity ratio.
9. Evaluate projects using the Adjusted Present Value (APV) method.
10. Use real options to unlock the option value inherent in projects
11. Evaluate political risk in foreign direct investment.

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 valuation, the trade-off theory of capital structure, and mergers and acquisitions.

Trimester Dates

From Monday 11th July to Monday 17th October.

Block Release Times:

8:45am 20th August – 1:00pm 21st August

8:45am 15th October – 1:00pm 17th October

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 22nd July 2016.
2. The standard last date for withdrawal from this course is Friday 23rd 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 lecturer is Michael Keefe.
Room RWW119.
Email: michael.keefe@vuw.ac.nz
Phone: 04 4635708
Office Hours: by appointment

The course administrator is Rachel Zhang.
Room RWW120
Email: viaf-programme@vuw.ac.nz
Phone: 04 4636148

Block Release Times and Room Numbers

Block Release One: 8:45am 20th August – 1:00pm 22nd August
Lecture Location: **MY632**
Lab Location: KK216
Test Location: MY632

Block Release Two: 8:45am 15th October – 1:00pm 17th October
Lecture Location: **MY632**
Lab Location: KK216
Test Location: MY631

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.**

Readings

The core textbook is:

Ross, Stephen A., Randolph W. Westerfield, and Jeffrey Jaffe. Corporate Finance. McGraw-Hill Education; New York, 11th Edition, 2015

Additional material will be drawn from:

Bodie, Zvi, Alex Kane, and Alan J. Marcus. Investments. McGraw-Hill Education; New York, 10th Edition, 2013

Eiteman, David K., Arthur I. Stonehill, and Michael H. Moffett. Multinational Business Finance. Pearson Series in Finance; 14th Edition, 2015

In addition, case studies and articles will be provided on Blackboard.

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 MAF compulsory block release, then you should notify the Programme Director immediately, preferably by email michael.keefe@vuw.ac.nz and copy the email to 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

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 180 hours of work.

Assessment

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

Your final grade is based upon tutorial questions (20%) and two tests (80%). 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	25-Jul-16	1, 2	5%	
Tutorial Questions 2	15-Aug-16	3-6	5%	
Test 1	22-Aug-16	1-6	40%	120
Tutorial Questions 3	19-Sep-16	7-11	5%	
Tutorial Questions 4	10-Oct-16	7-11	5%	
Test 2	17-Oct-16	1-11	40%	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.

Materials and Equipment

The HP10bII+ financial calculator is provided to each student. It is necessary to this calculator to the block courses. The HP10bII+ calculator is the only calculator that can be used on tests. You should also have access to Excel from Microsoft Office (this is available in the student labs on campus).

Student feedback

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

Class Representative

Two programme representatives will be elected at the start of Trimester 2. The representative names and contact details will be made available to VUWSA, the course coordinator and the students in the programme. The programme representatives provide a communication channel to liaise with the course coordinator on behalf of students.

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.

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.
