

School of Management

MMBA 516 CORPORATE FINANCE

Trimester 2, 2016

COURSE OUTLINE

Names and Contact Details

COURSE COORDINATOR

Jinji Hao

Teaching Fellow at Victoria University of Wellington

Room: RWW213

Email: Jinji.Hao@vuw.ac.nz

Website: sites.wustl.edu/jinjihao

SENIOR ADMINISTRATOR

Nicky McInnes

Room: RH 1004, Rutherford House

Phone: 463 5367

Email: Nicky.McInnes@vuw.ac.nz

Trimester Dates

Teaching Period: Monday 11th July – Friday 14th October

Study Period: Monday 17th October – Thursday 20th October

Examination Period: Friday 21st October – Saturday 12th November (inclusive)

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](#).

Class Times and Room Numbers

Type	Day	Time	Room
Lecture	Wednesday	19:40 – 21:30	RH LT3
Tutorial*	Wednesday	15:30 – 17:30	RH 1024

*Tutorials will start from week 2

Expected Workload

Workload expectations for this course are 10 hours per week for the 12 teaching weeks and 30 hours during the mid-trimester break.

Prescription

An overview of the theory and practice of Corporate Finance: the opportunity cost of capital, time value of money, risk and return, market efficiency, investment analysis, determination of capital structure, short-term asset management.

Course Learning Objectives

1. Understand that the time value of money represents the wealth that would have been generated from the forgone investment opportunity.
2. Know the characteristics of basic financial instruments (stocks, bonds, options) and institutions (markets, banks, investors).
3. Estimate the financial gain from investment opportunities by estimating free cash flows and discounting them at an appropriate cost of capital.
4. Understand how diversification and leverage impact portfolio risk.
5. Know the fundamentals of financial market efficiency.
6. Evaluate how the capital structure of a firm (i.e., how it is financed with debt and equity) relates to shareholder value.

Course Content

Below is a detailed course outline for the course. For each session, I have delineated the subjects I plan to cover and the relevant chapters from our book (denoted BD) that should be read *prior* to that day's lecture. Also, be sure to have read the case assignments prepared prior to our class sessions. I will post the "case study questions" at Blackboard in the case folder.

Session Number And Day	Topics Covered	Relevant Chapters to Read in Berk-DeMarzo and Cases to Prepare
Session 1 Wednesday, July 13, 2016 (19:40 - 21:30)	<ul style="list-style-type: none">• Course Introduction• What is the Capital Market?<ul style="list-style-type: none">○ Its Purpose?○ Its Players?	<ul style="list-style-type: none">• Chapter 1
Session 2 Wednesday, July 20, 2016 (19:40 - 21:30)	<ul style="list-style-type: none">• Discuss "Warren Buffett Case"	<ul style="list-style-type: none">• Prepare "Warren Buffett" Case in GROUPS before second class meeting (Group Assignment 1 Due)

Session 3 Wednesday, July 27, 2016 (19:40 - 21:30)	<ul style="list-style-type: none"> • Functions of Corporate Finance <ul style="list-style-type: none"> ○ Build a Firm ○ Performance Measurement ○ Value Creation 	<ul style="list-style-type: none"> • Chapter 2 is a great review of accounting (read only as needed)
Session 4 Wednesday, August 3, 2016 (19:40 - 21:30)	<ul style="list-style-type: none"> • Law of One Price 	<ul style="list-style-type: none"> • Chapter 3
Session 5 Wednesday, August 10, 2016 (19:40 - 21:30)	<ul style="list-style-type: none"> • Introduction to Valuation: Time Value of Money • Corporate Investments 	<ul style="list-style-type: none"> • Chapter 4 • Chapter 7
Session 6 Wednesday, August 17, 2016 (19:40 - 21:30)	<ul style="list-style-type: none"> • Discuss “Investment Detective Case” 	<ul style="list-style-type: none"> • Prepare “Investment Detective” Case (Group Assignment 2 Due)
Session 7 Wednesday, September 7, 2016 (19:40 - 21:30)	<ul style="list-style-type: none"> • Introduction to Capital Budgeting: Net Present Value (NPV) and Other Investment Criteria • Making Capital Investment Decisions in Practice 	<ul style="list-style-type: none"> • Chapter 8.1 - 8.2
Session 8 Wednesday, September 14, 2016 (19:40 - 21:30)	<ul style="list-style-type: none"> • Discuss “Worldwide Paper Company” Case • Interest Rates and Bonds 	<ul style="list-style-type: none"> • Prepare “Worldwide Paper Company” Case (Group Assignment 3 Due) • Chapter 6.1 - 6.2, 6.4
Session 9 Wednesday, September 21, 2016 (19:40 - 21:30)	<ul style="list-style-type: none"> • Stock Valuation 	<ul style="list-style-type: none"> • Chapter 9.1 – 9.3
Session 10 Wednesday, September 28, 2016 (19:40 - 21:30)	<ul style="list-style-type: none"> • Historical Capital Market Returns and the trade-off of Risk and Return 	<ul style="list-style-type: none"> • Chapter 10

Session 11 Wednesday, October 5, 2016 (19:40 - 21:30)	<ul style="list-style-type: none"> Estimating a Firm's Cost of Capital 	<ul style="list-style-type: none"> Chapter 12.1 – 12.3, 12.6
Session 12 Wednesday, October 12, 2016 (19:40 - 21:30)	<ul style="list-style-type: none"> Discuss “Nike” case 	<ul style="list-style-type: none"> Prepare “Nike” case in GROUPS (In class, No submission is required)
TBD (Friday 21st Oct. – Saturday 12 th Nov.)	FINAL EXAM IS DUE	

Readings

Textbook: *Corporate Finance*, by Berk and DeMarzo, Pearson Addison-Wesley Publishers, 3rd edition, 2014.

Source of Cases: *Case Studies in Finance: Managing for Corporate Value Creation*, by Bruner, Eades, and Schill, McGraw-Hill, 6th or 7th edition, 2009. This book is available in the university library. I will request to digitalize the cases to be used and make them available to each student.

Group Work

We have four cases for group studies in this course. They are from the Darden Business School and used in many of the world's leading business schools.

Group Case	Case Name
Case 1	Warren Buffett
Case 2	Investment Detective
Case 3	Worldwide Paper Company
Case 4	Nike

I will analyze every case together with the students in class. But it is important for everybody to read the cases before class. For each of the first three cases, students formed in groups are expected to submit one page answering guiding questions. The last one will be covered in more detail in class and no submission is required while students should still prepare in groups before class.

Materials and Equipment

- Blackboard Class Files Folder:** We will use Blackboard to supplement the course materials. There, I will post electronic copies of all of the PowerPoint slides that we use in class. I will also post some various spreadsheets that you should find useful. Relevant Sections at Blackboard are:
 - Course Outline (an updated copy of the course outline)
 - Course Slides (soft copy of the copies I will prepare for you)
 - Sessions (Topics and Pre-Session Preparation)
 - Homework (individual assignments and their deadlines)
 - Case Information (Case Assignment Questions and Excel Templates where necessary)

The policy concerning the use of calculators in the final exam should be in line with the overall school's guidelines.

Assessment

The Assessment Handbook will apply to all VUW courses: see

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

Course grades will be based on group case write-ups and individual problem sets, individual quizzes, and one final examination. You should work in your assigned study groups for the group case assignments and turn in only **one hard copy** of these write-ups per group. Please summarize your results in one page. You may attach figures, tables or detailed calculations using extra pages.

If you do the work for the course (including the pre-assigned readings and problem sets), you should expect to at least pass the course.

3 Group Cases..... 15%

4 Individual HWs..... 20%

3 Individual In-class Quizzes..... 15%

Final Exam..... 50%

* All case information is available on Blackboard.

** Individual HWs are available on Blackboard.

*** Quizzes will take place in class.

Assessment	Material Covered	Learning Objectives	Due Date
Case 1	Ch 1	C1, C2, C3, C4, C5	July 20
Case 2	Ch 7	C1	Aug 17
Case 3	Ch 8	C3	Sept 14
HW 1	Ch 3	C5	Aug 10
HW 2	Ch 4	C1	Aug 17
HW 3	Ch 6, 9	C2	Sept 28
HW 4	Ch 10	C4, C5	Oct 5
Quiz 1	Ch 3	C5	Aug 10
Quiz 2	Ch 4, 7	C1	Sept 7
Quiz 3	Ch 6, 9	C2	Sept 28
Final Exam	Ch 3-10, 12	C1, C2, C3, C4, C5, C6	TBD

Any changes in the due dates will be announced in the Blackboard.

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 21st October – Saturday 12th November (inclusive)

Mandatory course requirements

If you cannot complete an assignment or sit a test or examination, refer to

www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat

Penalties

Late submission of the group assignment will result in a 5% discount of the group assignment mark per day (applies to each of the group members).

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 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.
