



BUSINESS SCHOOL
Te Kura Pakihi

COURSE OUTLINE

FINC303 ***Financial Management***

Semester Two, 2023

This course outline contains information specific to this paper. For more general information common to your papers, please refer to the COMMERCE_UG_2018: Commerce Undergraduate Students site on Blackboard.

Paper Description and Aims

Domestic and Multinational Corporations (MNCs) are operating in an increasingly competitive global and uncertain environment. Understanding how to value the assets of a firm and to negotiate a fair buying or selling price for a business are important skills that all finance graduates should possess. Firm valuation, interpreting information in financial statements, integrating Environmental, Social and Governance factors into firm valuations and applying different valuation techniques relevant to the industry and market context are all critical tools that will be taught in this paper. This course aims to provide students with an in-depth knowledge of: (1) tools used to value firms and their underlying assets, (2) ESG factors and their relevance to measuring firm value, (3) sensitivity analysis and financial modelling applied to firm valuation, (4) how to value private companies and start-ups.

The objectives of the course are:

- To learn how to value equity using traditional valuation models.
- Apply market-based valuation methods to value the underlying assets held by the firm.
- To learn how to value private companies.
- To train students in the skills of an equity analyst and to write a quality equity valuation report.

Learning Outcomes

Upon successful completion of this paper, you should be able to:

- Develop an ability to apply different equity valuation models to value listed, private and start-up firms.
- Build a commitment to understanding how assets are valued.
- Grow a frame of reference that supports independent equity valuations.
- Encourage critical and analytical skills and the ability to work independently.
- Create an understanding of the growing importance of environmental, social and governance factors in determining the underlying intrinsic value of a firm.
- Demonstrate communication and written skills (e.g. the ability to write quality reports and present results).
- Work constructively, effectively and cooperatively as part of a team.
- Be able to apply ethical standards and use ethics responsibly when valuing firms and the wider community.
- Appreciate your role as a global citizen and the global impact of equity valuations.

Teaching Staff

Paper Coordinator and Lecturer

Name: Associate Professor Helen Roberts

Office: 518

Email: helen.roberts@otago.ac.nz

Office Hours: Tuesday and Thursday 12 – 2 p.m. (or by appointment via email)

You should contact **Associate Professor Helen Roberts** with all administrative enquiries.

Class Representatives

Class representatives are an important means of communication between students and staff. Contact details for your student class representatives can be found on the Blackboard page for this paper.

Course Delivery

Lecture Day/Time: Tuesday and Thursday 10 a.m. - 12 noon

Room: Tuesday: ARCHWAY 1, Thursday: TG07 (College of Education, Ground Floor, Room 7)

Every week students must attend:

Two 2-hour lectures per week.

Students should be reading any relevant material provided as a reference prior to class and come prepared to contribute to the lecture. I will stress the most important issues for each of the topics covered. Therefore, it is important for students to attend class and arrive on time. Being late and/or missing classes will likely have a negative effect on your performance. You are responsible for keeping yourself informed of all announcements and changes made in class and/or on Blackboard.

Course Calendar. The course calendar (in this outline) details scheduling information. Note that this calendar may change as the course proceeds. Any changes will be announced at lectures and be detailed on Blackboard.

Students are expected to prepare for and attend all classes to gain full benefit from the course.

Preparation should include reviewing information detailed on Blackboard, reading relevant sections of the recommended textbook, following information about the value of firms in New Zealand and completing assessment on time. Students unable to attend a lecture are expected to catch up on missed material. Unless stated otherwise, all aspects of the course are examinable.

Course Learning Resources

The recommended textbook is:

Corporate Finance by Jonathan Berk and Peter DeMarzo. (Pearson) ISBN 9781292304151 (Global edition). The details of the print and e-book version are available on the following link:

<https://www.pearsoned.co.nz/9781292304151> Supplementary material and/or problem sets, provided on Blackboard and used as review material in class, will facilitate and deepen your understanding of the materials covered in the course. Five copies of the textbook are on close reserve at the Central library. One e-copy is also available via the library.

Blackboard

<https://blackboard.otago.ac.nz/> provides you with access to course materials, class notices, and resources. Blackboard is used to email the whole class so it is important that you check your student email and *Blackboard* regularly.

Further information about student support, learning support and information, academic integrity and other University resources for students is available on the COMMERCE_UG_2017: Commerce Undergraduate Students site on Blackboard.

Student Webmail

We will use your student email account to email you information relevant to your programme. To forward your University email address to an email address that you use regularly:

1. Log into your Student Mail account (<http://www.otago.ac.nz/smlanding/>) using your student username and password.
2. Click the **Cog** button (top right corner).
3. Click on **Mail** under **Your App Settings**.
4. Under **Accounts** on left hand side, select **Forwarding**.
5. Under the Forwarding heading, type in the email address you want your email to be forwarded to. You can also choose to have a copy of these emails kept on your StudentMail account, so please check the box if you would like this.
6. Click the **Save** button.

Assessment

All material presented is examinable (except where stated otherwise) by assignments and the final examination. All-important assessment information such as due dates and times, content, guidelines and so on will be discussed at lectures and, where appropriate, detailed on Blackboard. *Students are responsible for ensuring that they are aware of this information, keeping track of their own progress, and catching up on any missed classes.*

Assessment	Due date	% of final grade	Requirements to pass this paper
Assignment 1	Thursday, August 3, 4 p.m.	15	Must complete
Mid-Term Exam	Tuesday, August 22	15	Must complete
NZX Valuation Project	Friday, September 29, 4 p.m.	25	Must complete
NZX Presentation	Tuesday - Friday, October 3 - October 6 in OBS 425	Group must present at an arranged time	Must complete
Final Exam	See exam timetable	45	Must achieve 50%

Course Requirements

This course has one assignments that will require students to apply valuation concepts to different firm ownership structures. Students will learn how to assess various industry and firm-specific information to assess firm value and determine if the risk of investment will yield a positive return. The assignment will also include questions related to material being taught in class. The assignment is due on **Thursday, August 3rd at 4 p.m.** The group report is due on **Friday, September 29th at 4 p.m.** The assignment and the group valuation report should be placed in the **box outside room 519 marked FINC 303**, located on the 5th floor of the Otago Business School.

A major component of this course (accounting for 25% of final grade) is the NZX Valuation Project. Students will develop a project in which they will value an NZX listed firm. The work will be done in groups of no more than FOUR or FIVE students. A report of no more than 10 pages (excluding title page, executive summary, references and a separate 20 page appendix) must be submitted on **Friday, September 29th by 4 p.m.** The report will provide students with an opportunity to value a publicly listed firm, assuming the role of an equity analyst. The group will be required to present their project during week 12 of the course on either **Tuesday, October 3rd, Wednesday, October 4th, Thursday, October 6th, or Friday, October 7th** in **OBS 425**. Marks will be allocated for individual student presentation and for the group report, respectively. Late submission of the report may be accepted with point deductions of 5% (of final mark) per day with the maximum deduction of 15% per report.

One closed-book mid-term examination (counting for 15% of the final grade), which covers all materials discussed during Sessions 1 through 8 (weeks 1 to 4), will be held during class on **Tuesday, August 22nd**. Students are allowed to bring in any university-approved model of calculators into the mid-term exam. There is no make-up exam for the mid-term exam.

One three-hour closed-book final examination (counting for 45% of the final grade), which covers ALL materials discussed during the semester, will be held at the end of the semester. The date, time and location will be announced on Blackboard as soon as it becomes available. Students are allowed to bring in any university-approved model of calculators into the final exam. Note that students must achieve a mark of at least 50% in the final exam to pass the course.

Late Assignments

Assignments must be handed in on time. Late submission of the group report may be accepted with point deductions of 5% percent (of final grade) per day with the maximum deduction of 15% percent report.

Referencing Style and Style Guide

For this paper the referencing style is *American Psychological Association (APA)*. Here is a link to the style guide: <https://apastyle.apa.org/> Style guides are also available on the University Library website: <http://www.otago.ac.nz/library/quicklinks/citation/index.html>

Learning Outcomes

Learning Outcome	Assignment	Mid-term Exam	Valuation Project	Exam	Total
Able to apply different equity valuation models	✓	✓	✓	✓	
Encourage critical and analytical skills	✓		✓	✓	
Understand ESG factors in valuation		✓	✓	✓	
Demonstrate communication and written skills	✓		✓	✓	
Work constructively and effectively as part of a team			✓		
Total					100%

Course Calendar

Week	Lecture	Date	Topics	Reading	Practice Questions	Tasks/Assessment
1	1	11-Jul	Introduction to Equity Asset Valuation Time Value of Money Refresher	Berk and DeMarzo Chapter 4 Time Value of Money	See Blackboard for practice questions for this week	Set up Capital IQ account at www.capitaliq.com Use your Otago email account
	2	13-Jul	The Valuation Process	Lecture notes	Week 1 review questions on BB	Form a group of 4 or 5 students and choose an NZX listed firm for your project
2	3	18-Jul	Cameron Robson, Senior Analyst Valuation and ESG Factors Northcape Capital	Guest Lecture Zoom Presentation		Enter the names of your group and the NZX listed firm for your project on Google Document
	4	20-Jul	Return Concepts HPR, RR, Discount rate, IRR	Berk and DeMarzo Chapter 5	Week 2 review questions on BB	
3	5	25-Jul	Equity Risk Premium, RRE, CAPM WACC	Berk and DeMarzo Chapter 10		Start your group industry analysis
	6	27-Jul	Industry Analysis	Lecture notes	Week 3 review questions on BB	
4	7	1-Aug	Company Analysis	Berk and DeMarzo Chapter 2		Start your group company analysis
	8	3-Aug	Brad Caldwell Associate Director Campbell MacPherson	Guest Lecture In-class Presentation	Week 4 review questions on BB	ASSIGNMENT 1 4 p.m. Thursday, August 3
5	9	8-Aug	Equity Valuation DDM, GGM	Berk and DeMarzo Chapter 9	Berk and DeMarzo Chapter 9	Start the equity analysis for your company valuation
	10	10-Aug	Multiplier models Price and EV Multiples	Berk and DeMarzo Chapter 19	Week 5 review questions on BB	
6	11	15-Aug	Method of Comparables	Guest Lecture In-Class Presentation		
	12	17-Aug	OS Distributors: Equity Valuation using Comparable Firms	Berk and DeMarzo Chapter 19	Week 6 review questions on BB	Look for comparable firms and calculate relevant multipliers
7	13	22-Aug	Mid-Semester Exam	Weeks 1, 2, 3, 4		Mid-Semester Test

	14	24-Aug	Forecasting Earnings FCF, NPV	Berk and DeMarzo Chapter 8	Week 7 review questions on BB	Calculate the Enterprise Value for your firm
		28-Aug 1-Sep	MID-SEMESTER BREAK			
8	15	5-Sep	Capital Budgeting, Valuation with Leverage	Berk and DeMarzo Chapter 18		
	16	7-Sep	Enterprise Value	Berk and DeMarzo Chapter 19	Week 8 review questions on BB	
9	17	12-Sep	Residual Income Valuation	Berk and DeMarzo Chapter 19		
	18	14-Sep	Asset-Based Valuation		Week 9 review questions on BB	
10	19	19-Sep	Mergers and Acquisitions	Berk and DeMarzo Chapter 28		
	20	21-Sep	Monte Carlo Simulations	Lecture notes	Week 10 review questions on BB	
11	21	26-Sep	Private Company Valuation Rich Thomas Montarne Capital	Berk and DeMarzo Chapter 23		
	22	28-Sep	Valuing Loss Making Firms	Lecture notes	Week 11 review questions on BB	NZX Valuation Report 4 p.m. Friday, September 29
12	23	3-Oct	Real Options	Berk and DeMarzo Chapter 22		NZX Valuation Report Presentations Tuesday, Wednesday October 3, 4
	24	5-Oct	Real Option Application	Lecture Notes	Week 12 review questions on BB	NZX Valuation Report Presentations Thursday, Friday October 5, 6
13	25	10-Oct	Final Exam Review	Lecture Notes		
	26	12-Oct	Back-up Class		Exam review questions on BB	

Lectures End Friday 13 October 2023
University Exam Period 18 October – 10 November 2022

Disclaimer

While every effort is made to ensure that the information contained in this document is accurate, it is subject to change. Changes will be notified in class and via Blackboard. Students are encouraged to check Blackboard regularly. It is the student's responsibility to be informed.