



BUSINESS SCHOOL
Te Kura Pakihi

COURSE OUTLINE

BSNS 114 ***Financial Decision Making***

2023

This course outline contains information specific to this paper. For more general information common to your papers, please refer to the BSNS100_LEVEL_FYDIN_2023: 100-level Core Papers site on Blackboard.

Paper Description and Aims

This course introduces students to financial decision making with a primary focus on the principles of financial valuation. We first discuss the concept of Time Value of Money together with looking at how we can apply these valuation techniques to making personal investment decisions. Since decision-making with investments virtually always involves risk (uncertainty), we will then introduce the concept of risk, and the relation between risk and return. This is followed by a discussion of the cost of financing and how that, as integrated with cash flows, will impact on the valuation outcome and decision making at a corporate level. We close the course looking at the relevance of capital structure and dividend policy in corporate performance.

Prior knowledge in high school level Economics, Algebra, Statistics and Accounting will be beneficial but is not compulsory.

Learning Outcomes

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

- To be financially literate.
- To understand the basic characteristics of companies and capital markets.
- To understand Time Value of Money and how it affects financial decisions at the personal and organisational level.
- To understand Bonds and Stocks, including the calculation of their intrinsic value.
- To understand concepts and calculation of free cash flows for a business project.
- To critically analyse business investment decisions.
- To understand the trade-off between Risk and Return for investors.
- To understand the factors affecting a company's decision to borrow from debtholders versus raising money from shareholders.

Teaching Staff

For all enquiries regarding BSNS114 please email BSNS114@otago.ac.nz

Paper Coordinator/Lecturer

| Semester 1 | | Semester 2 | |
|---------------|--------------------------------|---------------|------------------------|
| Name: | Dr. Pakorn (Beam) Aschakulporn | Name: | Dr. Sebastian Gehricke |
| Office: | OBS 5.15 | Office: | OBS 5.11 |
| Office Hours: | Thursdays 1:30pm – 4:30pm | Office Hours: | Mondays 9am – 12pm |

Head Tutor

Name: To be confirmed

Students who wish to change streams can do so in the Accountancy and Finance department (Otago Business School, level 5) between 10am - 12pm Monday – Friday during first 2 weeks of semester.

Course Delivery

Lecture Day/Time: Tuesday 12 – 2pm; Thursday 9 – 10am

Room: Tuesday (AUDIT), Thursday (STDAV)

Students must attend three 50 minute lectures and one 50 minute tutorial each week.

Lectures present the key conceptual material through discussion and interaction between teaching staff and students. Lectures are supported by readings.

Tutorials are interactive, collaborative sessions in which students attempt to cement concepts presented at lectures with their peers in a supportive environment.

- Tutorials begin in the **second** week of semester. You will be allocated to a tutorial, and this will be available in eVision. Tutorial times and locations will be posted on Blackboard during the first week of lectures.
- Tutorials offer you the opportunity to work in groups on a series of tasks designed to apply the concepts that you have been exposed to in class and from your reading, and to stimulate your interest in the course as it applies to “everyday” issues. The key feature of tutorials, as opposed to lectures and individual study, is participation of all members of the tutorial group. **Please prepare for tutorials before going to them.**

Lecture Recordings. We believe strongly in the importance of attending lectures and tutorials to maximise your engagement with the course content. Attending lectures and tutorials is important—it allows you to work with your peers, and provides the opportunity to develop discussion of key elements of the subject. However, we recognise illness, Covid and other significant unforeseen events do occur. We also appreciate that some students benefit from having the recordings to review again later in their own study time. For these reasons, lecture recordings will be released one to two weeks after the lecture, or when a specific topic has been concluded, and accessible on Blackboard from that point onward.

Course Calendar. The course calendar 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.

These activities should be prepared for by reviewing information detailed on Blackboard and completing any assigned readings. Students unable to attend a lecture are expected to catch up on missed material.

Unless stated otherwise, all aspects of the course are examinable.

Expectations and Workload

The following note is copied from the University of Otago website:

<http://www.otago.ac.nz/study/planning/workload.html>

“A full-time first year course is generally between 54-72 points in any one semester or 114-144 points in any one year. As an approximate guide, you can expect to spend about two hours per week per 3 points for single-semester papers. These hours are made up of a combination of lectures, tutorials, laboratories, assignments and reading.”

Thus, for an 18-point paper (like BSNS 114), you can **budget 12 hours per week on average**. That is eight hours of study outside the classroom per week (the less you do, the less likely it is that you pass). Some topics may require more study; some may require less.

We estimate that each lecture you fail to attend reduces your maximum possible score on the final exam by maybe 4%, and each lecture you fail to attend in the first five weeks reduces your maximum possible score on the midterm exam by maybe 6%. So, come to class and take handwritten notes. If you miss a lecture, you can get the lecture notes on Blackboard.

Course Learning Resources

Textbook

Recommended – ALL available at the library.

Parrino, Kidwell, Yong, Dempsey, Morkel-Kingsbury, Ekanayake, James, Murray *Business Finance*, 1st edition.

Parrino, Yong, Morkel-Kingsbury, James, Mazzola, Murray, Smales, Wei, *Fundamentals of Corporate Finance*, 4th edition.

Crack, *How to ace your business finance class*.

Tutorial problems come from the prescribed textbook.

You should read the relevant chapter(s) in the Course Calendar before you come to class. This will greatly improve your understanding.

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 BSNS100_LEVEL_FYDNI_2023: 100-level Core Papers Blackboard site.

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 StudentMail 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 (unless stated otherwise) by quizzes, the midterm and the final examination. All important assessment information such as due dates and times, content, guidelines and so on will be discussed in lectures and, where appropriate, detailed on Blackboard in the week prior to each assessment. ***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 | Opens from and closes by | % of final grade | Requirements to pass this paper |
|--------------|---|------------------|--|
| Quiz 1 | 3pm Friday, Week 3 – 3pm Friday, Week 4 | 2.5%* | Not applicable. |
| Quiz 2 | 3pm Friday, Week 5 – 3pm Friday, Week 6 | 2.5%* | Not applicable. |
| Midterm Exam | 6-8pm Thursday, Week 7 | 35.0%** | Not applicable. |
| Quiz 3 | 3pm Friday, Week 10 – 3pm Friday, Week 11 | 2.5%* | Not applicable. |
| Quiz 4 | 3pm Friday, Week 12 – 3pm Friday, Week 13 | 2.5%* | Not applicable. |
| Final Exam | To Be Confirmed | 55.0% | 50% or higher of BSNS114 overall weighted score including quizzes. |

*Quizzes account for 10% of the overall grade; calculated from your best three out of four quiz results.¹

** See plussage notes later in this course outline

Course Requirements

Quizzes

Quizzes are held in four of the 13 weeks (see the class schedule for dates and topics).

- Use a **compatible browser**: (see <https://Blackboard.otago.ac.nz/> for advice).
- Each quiz is accessed online using Blackboard between **3pm Friday** of the relevant week and **3pm Friday** of the following week.

¹ Formula= (1/3)*[(Q1+Q2+Q3+Q4)-min(Q1,Q2,Q3,Q4)]*(10%)

- There is a practice quiz available for access from **Friday 3pm** to the following **Friday 2pm** that goes with the actual quiz on the relevant week the actual quiz is scheduled to run.
- Quizzes appear under the **Quizzes** tab on Blackboard.
- Each actual quiz lasts **60 minutes** (but you can finish early) and you get only **one attempt**.
- Do not leave it until the last minute! **The quiz link disappears after 3pm Friday** of the following week. **You must submit a Quiz before 3pm. Late Quiz submission will not be graded.**
- Note that Blackboard (or your computer) can sometimes experience technical difficulties or hang-ups that require the instructor to reboot your quiz login and enable you to re-sit the quiz. **Email BSNS114@otago.ac.nz to request for a reboot if you find yourself in this situation.**
- To reduce the chance of technical difficulties, make sure you are freshly logged in, use a compatible browser (as indicated at the BlackBoard login page), **don't click the back button on your browser**, and complete the quiz within the time limit by clicking on "save and submit" before the 60 minutes are up.
- Although the quiz is live from Friday 3pm to 3pm in the next following Friday week, **we will not action any requests to reboot your quiz if you choose to sit the quiz on Friday (last day of the Quiz)**. So, aim to sit the quiz ahead of Friday when the quiz is scheduled to finish, and recognize that if you leave to sitting the quiz on the last day after Friday, and if the system hangs up on you, you will not get a second chance.
- Be sure to have your **formula sheet, course materials** and **class notes** with you when you take the online quizzes.
- Your **quiz answers must be your own work**; you are not allowed to receive any help from another person in answering quiz questions (that would be cheating and a clear violation of the University Ethical Policy Guidelines).

Midterm

The **midterm exam** is a closed book two-hour multi-choice exam held outside regular class time. If your final score is higher than your midterm results, then you will be granted **plussage**. This means that the numerical grade on your final exam will replace the numerical grade on your midterm exam.

You may bring one A4 sheet of **handwritten** notes into the midterm exam.

If you are ill for the final exam, you need to apply to the Examinations Office for special consideration.

Note:

- Your BSNS114 midterm grade will be released on Blackboard ideally no later than 7 business days after the date of the midterm exam.
- If you were impaired (mentally, physically or emotionally) for the midterm test, then before your grades get released you must present a medical certificate properly dated to cover the day of the exam. In line with university policy on special consideration, no student will be granted special consideration (e.g., a terms waiver) if they submit a medical certificate after the release of their mid semester grades.

Final grade

Assuming you sit the final exam, we have to assess whether you pass the course or not. **To pass BSNS 114 you must score 50% or higher when we calculate your overall weighted score including your quizzes in accordance with the Assessment table.**

Note:

Two University final examination rules students often claim to not know about

(<https://www.otago.ac.nz/administration/policies/otago070388.html>):

- If you are impaired (mentally, physically, emotionally) for your final exam, then a claim for special consideration must be made within five calendar days of the last final examination for which special consideration is being sought and must be supported by a Health Declaration or other appropriate evidence.
- No candidate shall communicate with an examiner in regard to an examination either in the examination script or otherwise before the official release of confirmed final results, except through the Manager, Student Administration. (So, you must not write “finalist” (or any other message) on your exam script, or send an email to your instructor before your results are released.)

Academic Integrity

Academic integrity means being honest in your studying and assessments. It is the basis for ethical decision-making and behaviour in an academic context. Academic integrity is informed by the values of honesty, trust, responsibility, fairness, respect and courage. Students are expected to be aware of, and act in accordance with, the University’s Academic Integrity Policy.

Academic misconduct, such as plagiarism or cheating, is a breach of Academic Integrity and is taken very seriously by the University. Types of misconduct include plagiarism, copying, unauthorised collaboration, submitting work written by someone else (including from a file sharing website, text generation software, or purchased work) taking unauthorised material into a test or exam, impersonation, and assisting someone else’s misconduct. A more extensive list of the types of academic misconduct and associated processes and penalties is available in the University’s Student Academic Misconduct Procedures.

It is your responsibility to be aware of and use acceptable academic practices when completing your assessments. To access the information in the Academic Integrity Policy and learn more, please visit the University’s Academic Integrity website at www.otago.ac.nz/study/academicintegrity, or ask at the Student Learning Centre (HEDC) or the Library, or seek advice from your paper co-ordinator.

For further information:

Academic Integrity Policy

<http://www.otago.ac.nz/administration/policies/otago116838.html>

Student Academic Misconduct Procedures

<http://www.otago.ac.nz/administration/policies/otago116850.html>

Turnitin on Blackboard

Turnitin is a text-matching software tool which reports matches between sections of student work submitted to it, and other material to which Turnitin has access (i.e. material available via the internet, and content of other student assignments which have previously been submitted to Turnitin). Turnitin is also often referred to as a plagiarism detection tool. All assignments submitted electronically through Blackboard are uploaded via Turnitin, and the report is available to the marker. You are able to check your draft assignment via Turnitin before you submit your final

assignment. Full instructions and guidance for the use of Turnitin can be found at: <https://help.otago.ac.nz/blackboard/assessing-your-students/turnitin/turnitin-for-students/>

Quality Assurance

At the Otago Business School we monitor the quality of student learning and your learning experience. Your assessed work may be used for assurance of learning processes, such as evaluating the level of achievement of learning outcomes, with the aim of improving the quality of our programmes. All material used for quality assurance purposes will be treated as confidential and the outcome will not affect your grades.

Learning Outcomes

| Learning Outcome (subject to change) | Quiz 1 | Quiz 2 | Quiz 3 | Quiz 4 | Midterm Exam | Final Exam | Total |
|--|--------|--------|--------|--------|--------------|------------|-------|
| To be financially literate. | √ | √ | √ | √ | √ | √ | |
| To understand the basic characteristics of business structures and financial markets. | √ | | | | √ | √ | |
| To understand how to solve problems related to Time value of Money and how it affects financial decisions at the personal and corporate level. | | √ | | | √ | √ | |
| To understand the concepts of Bonds and Stocks, including calculation of their fair value. | | √ | | | √ | √ | |
| To understand concepts and calculation of free cash flows for a business project. | | | √ | | | √ | |

| | | | | | | | |
|--|-------|-------|-------|-------|-----|-----|------|
| To critically analyse business investment decisions. | | | √ | | | √ | |
| To understand the trade-off between risk and return for investors. | | | | √ | | √ | |
| To understand factors affecting a company's decision to source debt versus equity capital. | | | | | | √ | |
| Total | 2.5%* | 2.5%* | 2.5%* | 2.5%* | 35% | 55% | 100% |

* Quizzes account for 10% of the overall grade; calculated from your best three out of four quiz results.²

² Formula= $(1/3) * [(Q_1 + Q_2 + Q_3 + Q_4) - \min(Q_1, Q_2, Q_3, Q_4)] * (10\%)$

Course Calendar

| Week | Date | Topic | Chapters Parrino, Fundamentals of Corporate Finance (NEW) | Chapters Parrino, Business Finance (OLD) | Chapters Ross Essentials of Corporate Finance (OLD) | Tutorial |
|------|------------|--|---|---|--|--|
| 1 | 11/07/2023 | Topic 1. Introduction to financial decision making | 1 | 1 | 1 | None |
| | 13/07/2023 | Topic 2. Time Value of Money (TVM) 1: Single Cash Flow | 5 | 3 | 4 | |
| 2 | 18/07/2023 | | | | | Topic 3. Time Value of Money (TVM) 2: Multiple Cash Flows |
| | 20/07/2023 | Tutorial questions #2 (Blackboard) (Quiz 1 Intro & TVM 1) | | | | |
| 3 | 25/07/2023 | Topic 4. Bonds | 8 | 6 | 6 | Tutorial questions #3 (Blackboard) |
| | 27/07/2023 | | | | | Tutorial questions #4 (Blackboard) (Quiz 2 TVM 2 & Bonds) |
| 4 | 1/08/2023 | Topic 5. Equity | 9 | 7 | 7 | Tutorial questions #5 (Blackboard) |
| | 3/08/2023 | | | | | Tutorial questions #6 (Blackboard) (Midterm 23rd August 2023) |
| 5 | 8/08/2023 | Topic 6. Investment analysis I. Decision Criteria | 10 | 8 | 8 | Tutorial questions #7 (Blackboard) |
| | 10/08/2023 | | | | | Tutorial questions #8 (Blackboard) |
| 6 | 15/08/2023 | Topic 7. Investment analysis II. Free Cash Flow (FCF) | 11 | 9 | 9 | Tutorial questions #9 (Blackboard) (Quiz 3 Decision Criteria/FCF Estimation) |
| | 17/08/2023 | | | | | Tutorial questions #10 (Blackboard) |
| 7 | 22/08/2023 | Topic 8. Investment Market History | 7 | 5 | 10 | Tutorial questions #11 (Blackboard) (Quiz 4 History, Risk & Return) |
| | 24/08/2023 | | | | | Tutorial questions #12 (Blackboard) |
| 8 | 5/09/2023 | Topic 9. Risk & Return | 7 | 5 | 11 | Tutorial questions #13 (Blackboard) |
| | 7/09/2023 | | | | | Tutorial questions #14 (Blackboard) |
| 9 | 12/09/2023 | Topic 10. Investment analysis III. Cost of Capital | 13 | 11 | 12 | Tutorial questions #15 (Blackboard) |
| | 14/09/2023 | | | | | Tutorial questions #16 (Blackboard) |
| 10 | 19/09/2023 | Topic 11. Financing Analysis I: Capital Structure | 16,17 | 11,15 | 13,14 | Tutorial questions #17 (Blackboard) |
| | 21/09/2023 | | | | | Tutorial questions #18 (Blackboard) |
| 11 | 26/09/2023 | Topic 12. Dividend policy | | | | Tutorial questions #19 (Blackboard) |
| | 28/09/2023 | | | | | Tutorial questions #20 (Blackboard) |
| 12 | 3/10/2023 | Buffer Class | | | | Tutorial questions #21 (Blackboard) |
| | 5/10/2023 | | | | | Tutorial questions #22 (Blackboard) |
| 13 | 10/10/2023 | Review Sessions | | | | Tutorial questions #23 (Blackboard) |
| | 12/10/2023 | | | | | Tutorial questions #24 (Blackboard) |

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.

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.

Lectures end Friday 13th October 2023

University Exam Period Wednesday 18th October – Saturday 11th November 2023