



BUSINESS SCHOOL
Te Kura Pakihi

COURSE OUTLINE

FINC303 ***Financial Management***

Semester Two, 2020

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

This course is designed to develop your facility with the tools of financial analysis and the skills for making sound financial decisions. The course is based on case analysis and is intended to increase your understanding of finance principles studied in FINC 201/ACF1201 and FINC 202. For the most part, cases are based on a situation that an actual firm has faced in the past, and your task is to analyze the situation and recommend a value-creating course of action that could be taken by the managers of the firm under consideration. Assigned tasks consist of both group and individual work, and provide the opportunity to improve your written and oral communications skills.

Learning Outcomes

Upon successful completion of this paper, you should be able to (i) apply financial knowledge in a business context (ii) have the ability to critically evaluate arguments and draw conclusions supported by appropriate evidence (iii) demonstrate an understanding of how organizations create value through the integrated production and distribution of goods, services and information (iv) have effective written communication skills (v) deliver an effective oral presentation on an actual business case (vi) demonstrate an ability to find, evaluate and use information effectively and (vii) comprehend and use appropriate quantitative concepts and methods to interpret and critically evaluate data.

Teaching Staff

Paper Coordinator

Name: Dr. Mia Pham

Office: Commerce 3.49

Email: mia.pham@otago.ac.nz

Office Hours: Thursday 12:00 pm- 3:00 pm

You should contact *the Paper Coordinator* with any administrative enquiries about the paper, e.g. tutorial changes, or requests for late submission of assignments.

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

Lectures: First seven weeks of formal lectures and computer labs.

Tutorials: Students will present case analysis followed by class discussion after week 7.

Everyone is expected to prepare for and attend all classes to gain full benefit from the course. If you are unable to attend a lecture you are expected to catch up on missed material. Unless stated otherwise, all aspects of the course are examinable.

Lecture Day/Time: Tuesday and Thursday 10:00 am-11:50 am

Room: TBA (Please check eVision for classrooms)

Course Topics: Cases used in the course attempt to broadly cover the following topics:

- Estimating the cost of capital
- Capital budgeting and resource allocation
- Management of corporate capital structure
- Analysis of financing/capital structure/payout policy
- Valuing the enterprise (mergers, acquisitions, restructurings)
- Setting corporate financial policy
- Use of real options in valuation

Course Structure and Classroom Procedure:

This course consists of two parts. In the first part of the course, basic finance principles and techniques are reviewed. In the second part, cases are used that require a higher level of analysis and business judgment. Discussion of cases is led by you and your fellow class members. Since finance principles and techniques are not covered in detail in the prescribed case textbook, you should have a standard corporate finance text available in order to prepare assigned cases effectively. Each member of the class assumes responsibility for preparing each case and for contributing during the case discussion. To be effective, you must think the problem through to a decision, be able to explain your analysis to classmates, and then defend your position. Typically, there is no one right answer to a case. In many ways, the process by which answers are sought is as important as the answers themselves.

Students are required to work in groups for the assigned cases and assignments. The class will be formed into groups (approximately 5 students per group depending on the final enrolment) early in the semester. Working on cases in groups improves the quality of analysis, develops interpersonal and time management skills, and illustrates the benefits of dividing work so that each group member contributes in the areas where that person has a relative advantage.

Course Policies and General Information

Final examination. A three-hour final examination will be given during the university's final examination period. The final examination will count for 50% of the overall course grade.

In order to pass this course, it is necessary that a passing grade is earned on the final examination. If a passing grade is not earned, I may at my discretion but generally guided by my evaluation of any extraordinary circumstances that may have led to that situation, award a mark of 50 for the course

regardless of what internal assessment marks have been earned prior to the final examination. Otherwise, a fail grade will be awarded for the course.

Assignment

There will be an empirical assignment on risk analysis using Excel. The assignment will be submitted as a group. A specific data set for this assignment will be provided. You will need to perform the simulation and risk analysis using Excel and write a short report to discuss the results of your analysis. You will need to submit both the Excel output file and the written report. The assignment is worth 15% of the overall grade.

Group case reports, case summary, and case presentation.

Case 1 (Report): Every group will be required to conduct a case study (common to every group) and submit a written report. The case to be analyzed will be **Qantas Airways: Financial Modelling and Dividend Policy**. You will need to submit Pro-forma financial projections for Qantas Airway in Excel output file together with your written report. The written report for Case 1 is worth 15% of the final grade.

Case 2 (Report and Presentation): In addition to the common case analysis, each group will be allocated a second case for which the group will prepare a written report and also make an in-depth presentation to the class on the assigned date. *Every member of the group has to contribute towards the presentation and every presenter will be graded individually on the presentation (only the case report will be graded as a group)*. The presentation and written report for Case 2 is worth 15% of the overall course grade.

The group case written reports (Case 1 and Case 2) should be **no more than seven pages** in length (double-spaced, 12-point font) plus any exhibits i.e. seven pages of text and exhibits, and tables are **not counted** in the page-count. Any writing beyond the seven-page limit will **not** be marked. The layout of the report should include a short paragraph as an executive summary, sections clearly demarcated, questions for the cases **not** repeated in the report, having a cover page with names, student IDs and group number prominently displayed, page numbers at the bottom of each page, and the document thoroughly checked for grammatical, spelling and general expositional errors) and content.

Case 3 (Summary and Discussion): Each group will be assigned to act as a panel to ask questions on the presentation of another group. In addition, you will need to write a case summary on the case that is presented by the group where you are the panel. The case summary should not exceed three pages (12-point font, double spaced). The summaries will be based on the questions provided for the cases but will not involve any numerical computations. In other words, you will answer the questions qualitatively. The case summary and case discussion are worth 5% of the final grade.

****Note:*** *All reports, case summary, and assignment should have a cover page which includes names and student IDs and group number prominently, page numbers at the bottom of each page, and the document thoroughly checked for grammatical, spelling, and general expositional errors.*

Submission dates:

Excel-based assignment to be submitted by 5:00 pm **Monday, August 6th**

Case report 1 to be submitted by 5:00 pm on **August, 19th**.

Case report 2 to be submitted on the day of the presentation.

Case summary to be submitted on the day your group acts as a panel.

Unless prior approval for late submission has been given, grades for work that is handed in late will be marked down.

All dates and details included in the course outline and syllabus are subject to final confirmation by the course coordinator.

Course Learning Resources

Required Readings: Cases using in this course can be found on eReserve on Blackboard.

Recommended Texts: Corporate finance texts such as *Corporate Finance Theory and Practice 2nd edition* by Aswath Damodaran, *Fundamentals of Corporate Finance* by Brealey, Myers, and Marcus, and *Intermediate Financial Management* 8th edition by Eugene Brigham and Phillip Daves; investments texts such as *Investments* by Bodie, Kane, and Marcus.

Overheads: The first half of the course is primarily based on the textbook *Corporate Finance Theory and Practice 2nd edition* by Aswath Damodaran. Overheads for the first part of the course will be put on Blackboard.

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.

<u>Assessment</u>	<u>% of final grade</u>
Assignment	15%
Case 1 Report	15%
Case 2 (Report and Presentation)	15%
Case 3 (Summary and Discussion)	5%
Final Examination	50%

Course Requirements

You have to **pass the final exam to pass the course**. Also, I will take attendance during the presentations in the second half of the semester. You will need to attend a minimum of 8 presentations (including your own) out of the 10 presentations. Failure to meet this requirement can result in you not being allowed to write the final exam.

Course Calendar

<u>Class</u>	<u>Date</u>	<u>Topic/Case</u>
1	7 th July	Introduction+ Estimating Hurdle Rates
2	9 th July	Estimating Hurdle Rates (continued)
3	14 th July	Estimating Earnings and Cash Flows
4	16 th July	Investment Decision Rules
5	21 st July	Computer lab
6	23 rd July	Computer lab
7	28 th July	Investment Analysis: Project Interactions, Side Benefits and Side Costs
8	30 th July	Financing Mix: Tradeoffs and Theory
9	4 th August	Financing Mix: Choices and Optimal Mix
10	6 th August	Payout Policy
11	11th August	Mergers and Acquisitions
12	13 th August	Mergers and Acquisitions (continue)
13	18 th August	Real Options
14	20 th August	Qantas Airways

Mid Semester Break 24 – 28 August

<u>Class</u>	<u>Date</u>	<u>Case</u>	<u>Presenting group</u>	<u>Discussion group</u>
15	1 st September	Marriot Corp: WACC	1A, 1B	9A, 9B
16	3 rd September	The Super Project	2A, 2B	10A, 10B
17	8 th September	Hospital Corporation	3A, 3B	6A, 6B
18	10 th September	American Home Products	4A, 4B	8A, 8B
19	15 th September	Interco	5A, 5B	7A, 7B
20	17 th September	Cooper Industries	6A, 6B	3A, 3B
21	22 nd September	Adecco's Acquisition of Olsen	7A, 7B	4A, 4B
22	24 th September	Vodafone AirTouch acquisition of Mannesmann	8A, 8B	5A, 5B
23	29 th September	Friendly Cards	9A, 9B	2A, 2B
24	1 st October	Pinkerton's	10A, 10B	1A, 1B
25	6 th October	Revision Class		
26	8 th October	Reserve Class		

Lectures End Friday 9 October 2020
University Exam Period 14 October – 6 November 2020

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.