



BUSINESS SCHOOL
Te Kura Pakihi

FINC 206: Fundamentals of Corporate Finance

COURSE OUTLINE

Semester Two, 2017

This course outline contains information specific to this paper. For more general information common to your papers, please refer to the COMMERCE_UG_2017: Commerce Undergraduate Students site on Blackboard.

Paper Description and Aims

This paper examines the theory and application of why and how optimal corporate financial decisions are made. This course is designed to prepare students to develop leadership skills necessary to make value changing financial decisions that maximize firm value.

Prerequisites: BSNS 107, BSNS 108 and BSNS 102

Restriction: FINC201 and ACFI201

Learning Outcomes

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

- 1) Ability to analyze firm financial statements
- 2) Evaluate financial decisions using tools based on the time value of money.
- 3) Apply different valuation techniques to shares and bonds.
- 4) Use capital budgeting to identify optimal investment decisions.
- 5) Develop the skills to conduct firm valuation.
- 6) Conduct analysis on firm long term financing in the form of equity and debt.
- 7) Evaluate firm capital structure and payout policy.
- 8) Have the ability to understand and evaluate working capital management and short-term financial planning.

Teaching Staff

Paper Coordinator and Lecturer

Name: Dr. Eric Tan
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Lecturer

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Tutor

Name: Damion Ranginui (randao70@student.otago.ac.nz)
Name: Matthew Herbert (herma656@student.otago.ac.nz)

You should contact the Paper Coordinator with any administrative enquiries about the paper. Course contents can be discussed in class (tutorials) or during office hours with the lecturer.

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

Every week students must attend three 50 minute lectures and one 50 minute tutorial each week

Lectures present the key conceptual material. Lectures are supported by readings. It is to your benefit that you read the chapters assigned BEFORE each lecture and you should prepare short notes on them. This will enhance your understanding of the subject matter to be covered. The lecturers will bring the important issues to your attention, and add other information that may not be gleaned from the weekly readings. Lecture times and locations are:

Monday	14:00–15:50	ARCH1
Tuesday	13:00 – 13:50	CAST2

Lecture slides and/or notes will be available on Blackboard and they will generally be available before the lecture. These are not substitutes for the lecture.

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 your eVision. Tutorials offer you the opportunity 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.** Your tutor will be able to better enhance your understanding of problems related to the topics being taught if you have attempted to do the homework before your assigned tutorial. A schedule of tutorial questions is provided in the course outline. Solutions will be available on Blackboard in the following week.

Additional practice questions will be available via MyFinanceLab, the online learning tool provided with the textbook. These will be available continuously throughout the semester and will give students the necessary practice required to complement the concepts being taught during each week of the semester. These online tutorials are not compulsory but students are strongly encouraged to use the practice questions to test their understanding of material being taught in class. These can be done at any time with immediate feedback and help.

Tutorial times and locations are:

Tuesday	14:00–14:50	T101
Wednesday	13:00 – 13:50	T103
Wednesday	14:00 – 14:50	T103
Wednesday	16:00 – 16:50	CASTD
Thursday	9:00 – 9:50	RGS2
Thursday	12:00 – 12:50	CASTC

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

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.

Course Learning Resources

Textbook

Fundamentals of Corporate Finance 3rd Edition, by Jonathan Berk, Peter DeMarzo, and Jarrad Harford, ISBN: 9781488607028 (2014).

You should read the relevant chapter(s) 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 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 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 (except where stated otherwise). 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.*

There are four types of assessment for this course.

1) Weekly Tutorials: 10% of overall grade

There are 12 weekly tutorials. There will be NO tutorial in week one. Starting in week two, tutorials will be directly related to lectures in the previous week. In the first tutorial, you will form a group of four (or three in a few cases) and work with your group for the semester. You will be assessed as a group.

At the start of each tutorial, the tutor will allocate tutorial questions to group members and you will need to answer questions asked by the tutor. You receive marks based on whether your answer is (partially) correct or not. Each tutorial is worth 1.11 marks. We only count the best 9 out of 12 (this is good for you). If you cannot make your tutorial for any reason, you will get a zero that week and it will become one of the three you drop.

2) Mid-semester test: 35% of overall grade

The 2 hour mid-semester test will be held on **Thursday, August 24, 6.30 p.m. to 8.30 p.m.** It will examine all materials (including lectures, handouts, class discussions, and MyFinanceLab exercises) covered from week one up to the end of week six inclusive.

You are required to bring along a **university approved calculator** (CASIO FX82 or FXZ100, SHARP EL531) to the test. See <http://www.otago.ac.nz/otago030715.pdf> for approved university calculators.

If you are unable to take the test due to situations that are beyond your control, you will need to apply for special consideration and must present relevant evidence prior to the test. Notification after the test will not be accepted; if you miss the test without prior notification, you will receive a zero score.

3) Final exam: 55% of overall grade

A 3-hour written final exam will be held at the end of the semester. The date, time and venue will be notified as soon as they become available. All course material is examinable. You are required to bring along a **university approved calculator** (CASIO FX82 or FXZ100, SHARP EL531) to the test. See <http://www.otago.ac.nz/otago030715.pdf> for approved university calculators.

Assessment Weighting

No	Type	Week	Weight
1	Weekly Tutorials	Week 2 to Week 13	10%
2	Mid-Semester Exam	Week 7	35%
3	Final Exam	Exam Period	55%
	Total		100%

Learning Outcomes

Learning Outcomes	Weekly Tutorials	Mid-Semester Exam	Final Exam	Total
Ability to analyze firm financial statements	✓	✓	✓	
Evaluate financial decisions using tools based on the time value of money	✓	✓	✓	
Apply different valuation techniques to shares and bonds	✓	✓	✓	
Use capital budgeting to identify optimal investment decisions	✓	✓	✓	
Develop the skills to conduct firm valuation	✓		✓	
Conduct analysis on firm long term financing in the form of equity and debt	✓		✓	
Evaluate firm capital structure and payout policy	✓		✓	
Have the ability to understand and evaluate working capital management and short-term financial planning	✓		✓	
Total	10%	35%	55%	100%

Course Calendar

All information in this draft is subject to change. Questions to be covered (or guided only) during tutorials are marked with an (*).

Week	Date	Topic	Chapter	Tutorial/Assessments
1	10/07/2017	Introduction and Financial Statement Analysis	1, 2	None
	11/07/2017			
2	17/07/2017	Time Value of Money	3, 4	Chapter 1: 2*, 10, 13, 15*, 17, 19, 21*. Chapter 2: 4*, 9, 10, 17*, 19*, 20, 23*, 27, 28*, 30, 33*.
	18/07/2017			
3	24/07/2017	Cost of Capital	13	Chapter 3: 17, 18*, 19, 20*. Chapter 4: 1, 8*, 11, 12*, 14, 15, 16*, 17*, 20, 23*, 27*, 29, 33, 35, 36*.
	25/07/2017			
4	31/07/2017	Valuation of Bonds and Stocks	6, 7	Chapter 13: 2, 3*, 5*, 7*, 8, 11, 12*, 16*, 18, 21, 23*.
	01/08/2017			
5	07/08/2017	Capital Budgeting I: Investment Decision Rules	8	Chapter 6: 4*, 9, 13, 17*, 22*, 28*. Chapter 7: 6*, 9, 14*, 17, 19*, 21, 25, 26*.
	08/08/2017			
6	14/08/2017	Capital Budgeting II: Fundamentals and Application	9	Chapter 8: 5, 7*, 8*, 10*, 17, 22*, 25, 28*, 30*, 34.
	15/08/2017			
7	21/08/2017	Enterprise Value	10	Chapter 9: 5, 6*, 9, 13*, 16*, 20, 21, 22*, 24, 28*, 31*. Mid-Semester Exam: 24th August (Week 1-6)
	22/08/2017			
	28/08/2017	Mid-Semester Break		
	29/08/2017			
8	04/09/2017	Long Term Financing: Equity	14	Chapter 10: 2, 4*, 6*, 7, 10, 11*, 14*, 15*, 19*, 23.
	05/09/2017			
9	11/09/2017	Long Term Financing: Debt and Leasing	15	Chapter 14: 1, 3*, 9*, 11, 14*, 18*, 19*.
	12/09/2017			
10	18/09/2017	Capital Structure	16	Chapter 15: 2*, 4*, 5, 7*, 8*, 9*, 10.
	19/09/2017			
11	25/09/2017	Payout Policy	17	Chapter 16: 2, 3*, 5*, 7, 9*, 11*, 15*, 17, 19, 26*, 29.
	26/09/2017			
12	02/10/2017	Working Capital Management and Short-Term Financial Planning	19, 20	Chapter 17: 2*, 3, 6*, 9*, 13, 16*, 17*, 18*, 19*, 20*, 22.
	03/10/2017			
13	09/10/2017	Review		Chapter 19: 3, 6*, 8, 12*, 14*. Chapter 20: 1*, 8, 10*, 15, 16*.
	10/10/2017			

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.