

FINC 601 Finance Theory and Corporate Policy Semester 2, 2017

Examiner/Lecturer:

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Course Prescription	Finance theory framework. Decision making under uncertainty. Capital investment theory. Finance markets and equilibrium analysis. Capital asset pricing model. Arbitrage pricing theory. Option pricing theory. Efficiency of markets. Capital structure and cost of capital. Dividend policy theory and evidence.
Prerequisites	<i>None</i>
Recommended Preparation	<i>None</i>
Restrictions	<i>None</i>

Course Aims and Learning Outcomes

Aims

The course serves as a base for students to critically value risky financial assets.

Key learning objectives

Upon completion of this course, students should be able to:

Knowledge

K1. Appraise capital asset pricing theory, agency theory, efficient market hypothesis, behaviour finance theories, and payout policy.

K2. Assess the implications of theories on corporate investment and finance policies.

Skills

S1. Apply theories in market data or business case studies

S2. Assess and evaluate theories in market data or by extensive literature review.

Values

V1. Synthesize the importance of assumptions, usefulness, and limitations of finance theories and key principles and practices underpinning what financial managers do and why.

Course Content

The following table gives an indication of the timing of the content for this course. It may be necessary to make adjustments to the timetable.

I. Risk and Return (Module 1)

Chapter 7 Introduction to Risk and Return

Chapter 8 Portfolio Theory and the Capital Asset Model Pricing

Chapter 9 Risk and the Cost of Capital

II. Agency Theory (Module 2)

Chapter 12 Agency Problems, Compensation and Performance Measurement

III. Financing Decisions and Market Efficiency (Module 3)

Chapter 13 Efficient Markets and Behavioural Finance

Chapter 14 An Overview of Corporate Financing

IV. Payout Policy and Capital Structure (Module 4)

Chapter 16 Payout Policy

Chapter 17 Does Debt Policy Matter?

FINC601 Teaching Plan

Week – commencing	Module	Wednesday Morning	Wednesday Afternoon
1 10 July	Module 1. Risk and Return	Chapter 7	Chapter 7
2 17 July (19 July: Field Trip Day)		Chapter 8	Chapter 7 Assignment
3 24 July		Chapter 8	Chapter 9 BMC due
4 31 July (1 August: Field Trip Day)		Chapter 9	Chapter 8 Assignment
5 7 August	Module 2: Agency Theory	Chapter 12	Chapter 9 Assignment
6 14 August (14 August: Field Trip Day)		Chapter 12 Project 1 due	Chapter 13
21 August	Mid Semester Break		
28 August			
7 4 September	Module 3: Financing Decisions and Market Efficiency	Chapter 13	Chapter 12 Assignment
8 11 September (15 September: Field Trip Day)		Chapter 14	Chapter 13 Assignment (Project 2 due)
9 18 September		Chapter 14	Chapter 16
10 25 September (28 September: Field Trip Day)	Module 4: Payout Policy and Capital Structure	Chapter 16	Chapter 14 Assignment
11 2 October		Chapter 17	Chapter 16 Assignment
12 9 October		Chapter 17/Presentation	Presentation (Project 3 due)

Learning and Teaching Arrangements

Learning and Teaching Approach

The course provides a range of delivery methods and learning opportunities for students including lectures, workshops, practice questions, interactive on-line material, and office hours. Students are strongly advised to make full use of all available learning opportunities.

Face-to-face Learning Activities

Lecture times

<i>Day</i>	<i>Time</i>	<i>Room</i>
Wednesday	9:00 am – 11:00am	C5
Wednesday	3:00 pm – 4:30pm	C5

Online Learning Activities

Formally registered students in this course will be able to access the course *LEARN* site via <http://learn.lincoln.ac.nz>.

Self-study material, review material, other relevant course material, and assessment activities will be made available on the course webpage. The course webpage will also be used as a means of communication with the class and students are advised to check the site and their “@lincolnuni.ac.nz” email regularly.

Lecture Notes

Lecture notes will be posted on LEARN. It is important to note that the images shown in lectures will not all be available in the PDFs of the notes, as copyright regulations prevent this. Some readings will be placed on the relevant LEARN site. Camtasia recordings will be made where possible and also placed on LEARN.

Other learning activities

Textbook

Brealey, R., Myers, S., and Allen, F. (2016). *Principles of Corporate Finance* (12th ed.). McGraw-Hill Australia. ISBN: 978-1-259-14438-7. MHID: 1-259-14438-0

A copy of this textbook is put on 2 hour short loan in LTL.

Teaching on Field Trip Days

Face-to-face activities and office hours **will** be held on field trip days. Any student who feels that they might be disadvantaged by this should contact the examiner so that alternative arrangements can be made. Lecture recordings will be made for students who go on field trip in other classes.

Assessment

Formal assessment items

Assessment	Due Date	Weighting	Learning objectives covered
Assignment	1 week after each chapter	50%	All
BMC	July 26	5%	All
Project 1	August 16	15%	K2, S1
Project 2	September 13	15%	K2,S1, V1
Project 3	October 11	15%	S1, S2, V1
Total		100%	

Assessment Summaries

Assessment will be marked with feedback as promptly as possible, and normally within one week for the assignments and two to three weeks for projects.

Assignment

There are seven individual assignments to complete. Each assignment is worth 7%. Details will be available on the course webpage and refer to file “end-of-chapter assignments 2017.pdf”. The assignments are due within one week after the lecture on each chapter.

BMC certificate

Bloomberg Market Concepts (BMC): BMC is an 8-hour e-learning course that provides an introduction to financial markets. This course consists of four segments – Economics, Currencies, Fixed Income and Equities. The BMC course utilises Bloomberg data, news, analytics and serves as a good introduction to Bloomberg. Upon completion of the course, you will be able to download your “Certificate of Completion”. Please print it off and hand it in before July 26.

Project 1

This is an individual project. The aim of this project is for students to become familiar with statistical properties of stock market returns and to form a mock portfolio in an equity market. It will give students a hands-on experience with various financial and economic data and integrate what they have learned in other finance, accounting, and economic classes. This project is assessed based on a written report and marking criteria is provided. Details of this project will be made available on the course webpage.

Project 2

This is an individual project. This case links to the agency theory and payout policy, which talks about the conflicts between the CEO and one large shareholder of Genzyme Co and the way to get around it. The case asks students to frame a strategy to address the agency problem from the CEO’s perspective and discuss a major capital structure decision due to challenges Genzyme faces. This project is assessed based on a written report and marking criteria is provided. Details of this project will be made available on the course webpage.

Project 3

This is an individual project. The project is organized to guide students to address the question: what portfolio would you recommend to a 35-year-old who is in a management position, and what portfolio would you recommend to a 65-year-old who has just retired? A detailed step-by-step guide and Excel spreadsheet template are provided to help students to complete this project. The project is assessed based on an oral presentation and marking criteria is provided. Details of this project will be made available on the course webpage.

Penalties

Students who do not submit a reasonable attempt of the following items of internal assessment may be awarded a grade of NC (Not Complete): Projects 1, 2 & 3.

In order to be awarded a pass grade in the course students must achieve 50 percent or more in the course overall.

Mandatory Course Requirements: BMC and project 1, 2,& 3.

Late submission of assessment

For assessment worth 5% or more of the final grade, MINIMUM penalties for lateness (based on calendar days) will be:

- 1 day late 10 percentage points deducted
- 2 days late 20 percentage points deducted
- 3 days late 30 percentage points deducted
- 4 days late 40 percentage points deducted
- 5 days late 50 percentage points deducted
- >5 days late- zero mark for the assignment

Academic Dishonesty

The examiner will apply the discipline regulations to any incidents of academic dishonesty, e.g. cheating or plagiarism. Your attention is drawn to the [Universal Course Regulations](#).

Commerce Postgraduate Orientation

The Faculty of Agribusiness and Commerce requires all new postgraduate students to attend the Postgraduate Orientation. The details will be available via Anne Welford. All new PG students must attend in person. The Agenda for the orientation will be emailed to new PG students prior to the start of the semester.

Office hours and other feedback opportunities

Office hours

<i>Day</i>	<i>Time</i>	<i>Room</i>
Wednesday	11:00-12:00am	C112

Feedback Opportunities

Feedback is welcomed and appreciated throughout the semester. Contact information for staff is provided at the top of this course outline. Students may give feedback in any format you feel comfortable with (e.g. in person, with a support person, through a student rep, via a note, or email). Constructive feedback is welcomed and appreciated throughout the semester to allow the Examiner to improve the course and their lecturing style. There will be an opportunity to formally evaluate the course at the end of the semester.

Health and Safety off-campus

Field Trips: full details will be provided separately. Refer to the [Code of Conduct for Trips, Tours and other External Activities](#).

Student workload

The total student workload of 200 hours in this course represents the minimum amount of time that an average or B grade student might be expected to spend in tuition and applied learning to receive a passing grade. The total student workload for a course is not spread evenly from week to week and students are expected to proactively manage their workload through the semester. Achievement in a course is based on how well a student performs, not on the time committed to studying the course. No matter how many hours a student puts into this course, he/she is not guaranteed a pass.

The following time-use guidelines are provided as an example of how the 200 hours might be allocated in this course.

<u>Learning Style</u>	<u>Hours</u>
Contact Hours	
Lectures	42
Consultation	<u>12</u>
<i>Sub-Total</i>	<i>54</i>
Non-contact Hours	
7 Assignments and 2 Projects	91
BMC	8
Self-study (3 hours per week)	36
Preparation for 3 rd project	10.5
Presentation	<u>0.5</u>
<i>Sub-Total</i>	<i>146</i>
Total Student Workload	200 hours

Student Help and Support

Library, Teaching and Learning

The Learning and Teaching team in Library, Teaching and Learning offers free programmes and resources that can help you to succeed in your studies. The Learning Advisors provide workshops, individual appointments and resources for students who would like to further develop their academic writing, study, and mathematics / statistics skills.

<http://www.lincoln.ac.nz/Student-Life/Study-Resources/Library-Teaching-Learning/>

Faculty Student Liaison

The Faculty of Agribusiness and Commerce has a Student Liaison – Nicos Tescos (Senior Tutor). The role of the Student Liaison is to provide additional support to students and guide them to appropriate University support. If you believe you would benefit from additional support or just need someone to talk to please contact Nicos – he is here to listen to you and help. Nicos can be found in Orchard 001c or contacted on nicos.tescos@lincoln.ac.nz

Advice and Support

A range of advice and support services are available to students. These include, but are not restricted to Inclusive Education (support for illness, injury and disability), International Student Support, Māori Student Support and Students' Association, Student Health, Counselling, Pastoral Support. For details please visit: <http://www.lincoln.ac.nz/student-life/student-support/>

Student Reps

A Student Rep's role is to facilitate communication between the students and the University. They can help with matters relating to the course (assessment, lectures, etc.) and can also assist with the appeals procedure. Your student rep should make her/himself known at the start of each semester.

LUSA - Student Advice and Support

The student advice and support that LUSA offers is separate from the University and is completely confidential. The team can provide advice on a range of issues and can assist in representation in any formal appeals process. <http://www.lusa.org.nz/sas>

Appeals Procedure

The appeals framework is designed to enable students grievances to be addressed and resolved as close to the level at which they arose. Students are advised to contact LUSA or their student rep in the first instance.