



## **Course Outline 2017**

### **BUSADMIN 775: FINANCIAL MANAGEMENT (15 POINTS)**

#### **Quarter 3 (1176)**

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#### **Course Prescription**

Assesses the role financial manager's play within the management team as they seek to create wealth for shareholders and stakeholders. Examines the working of the markets for real and financial assets, including techniques for their valuation. Assesses the potential for wealth creation from investment (or divestment) in real assets, the firm's mix of financial assets and mergers, acquisitions and divestments.

#### **Programme and Course Advice**

*Prerequisite: BUSADMIN 774*

*Restriction: BUSADMIN 765*

#### **Goals of the Course**

Typically, the financial manager is a member of the firm's management team; in smaller firms financial management is one of the roles an executive such as the company accountant performs, while in larger firms it is a full-time senior position, often called the chief financial officer (CFO). The course seeks to give you an appreciation of what financial management is and why the role is important. Good financial analysis is necessary (but of course not sufficient). After the course you should feel better able to engage with the financial manager – you should also be more financially literate.

#### **Learning Outcomes**

By the end of this course it is expected that you will be able to:

1. Appreciate the rationale underlying the objective of the organisation from the perspective of finance. In "profit seeking" organisations this is normally value maximisation.
2. Understand the theoretical approaches to the valuation of real and financial assets, and be able to assess their implementation in practice.
3. Understand the theoretical approaches and practical considerations necessary to value the firm (or shares in the firm) and assess risk.
4. Appreciate why the impact on shareholder wealth should be the basis on which a financial manager (a) makes the decision on whether to invest in (or divest) real assets, and (b) recommends a specific capital structure and payout policy.
5. Appreciate the different sources of capital available to companies.

## Content Outline

- Session 1: Friday 30 June  
Introduction to Finance (BM&M<sup>1</sup> Chs 1 - 4)  
Time value of money (BM&M Ch 5)  
Valuation of debt and equity securities (BM&M Chs 6 - 7)
- Session 2: Saturday 15 July  
Valuation of equity securities (BM&M Ch 7)  
The investment decision (BM&M Chs 8-10)
- Session 3: Friday 28 July  
Risk and return (BM&M Chs 11-12)  
The weighted average cost of capital and company valuation (BM&M Ch 13)
- Session 4: Saturday 12 August  
The financing decision (BM&M Chs 14, 16, 17)  
Raising capital (BM&M Ch 15)
- Session 5: Friday 25 August  
Presentations  
Raising capital (BM&M Ch 15)  
Special topic (Any readings to be advised)  
Course Review

## Learning and Teaching

This course is an introduction to finance that focuses on finance's role and function in the firm, and on how financial management can assist in making decisions that create wealth. Specifically, after studying how the market values financial and real assets, we focus on how the firm's interaction with capital markets can maintain or increase shareholder wealth through decisions on capital budgeting, capital structure and payout policy.

The course is delivered over five six-hour sessions. Sessions will typically comprise a mixture of a formal lecture component, general discussions, and problem-solving. Sessions one and two will focus on mastering some of the key concepts in finance. An individual assignment will be set to measure students' mastery of this material. The subsequent sessions will build on this foundation.

## Teaching Staff

### Associate Professor Alastair Marsden

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<sup>1</sup> BM&M - Brealey, Myers, and Marcus – see below in **Learning Resources**.

**Tutorial sessions** will be advised in class.

## Learning Resources

The required textbook for this course is: Brealey, Myers, and Marcus, *Fundamentals of Corporate Finance* (8th Edition, 2015). McGraw-Hill Irwin International.

The text is used in many MBA programmes. At times the text gives a greater depth of treatment than is necessary for our purposes. In some areas (particularly if we want to highlight local circumstances or data) we will supplement the text by providing resources on CANVAS.

## Assessment

| Assessment type                                   | Weighting | Basis      | Description            | Due Date  |
|---|-----------|------------|------------------------|---|
| Assignment  | 20%       | Individual | Written                | 26 July 2017                                      |
| Mid-semester test                                 | 20%       | Individual | Open Book              | 28 July 2017 (in class)                           |
| Assignment  | 23%       | Group      | Written / Presentation | 22 August 2017 (plus presentation 25 August 2017) |
| <b>Final Test<br/>(managed by GSM department)</b> | 37%       | Individual | Open Book              | Wed 30 August 2017                                |

The broad relationship between these assessments and the course learning outcomes is as follows:

| Learning Outcome | Individual Assignment | Group Assignment | Mid-semester test | Final Test |
|------------------|-----------------------|------------------|-------------------|------------|
| 1                | X                     |                  | X                 | X          |
| 2                | X                     |                  | X                 | X          |
| 3                |                       | X                |                   | X          |
| 4                |                       | X                |                   | X          |
| 5                |                       |                  |                   | X          |

## INCLUSIVE LEARNING

Students are urged to discuss privately any impairment-related requirements face- to-face and/or in written form with the course convenor/lecturer and/or tutor.

## **STUDENT FEEDBACK**

### **Formative feedback surveys**

During the early part of the quarter (usually Week 3 or 4), short feedback surveys are administered to all students to get a snapshot of how they are coping with their new courses. This qualitative data, which is administered, collected and collated by the Programme Office, is designed as an 'early warning' system of any significant issues with the course that might need addressing quickly.

Lecturers are asked to provide a brief report to the Director GSM MBA on key items identified and proposed actions. Lecturers are also asked to provide a verbal report to the class, proposing any solutions as appropriate.

### **Course and teaching evaluations**

The University of Auckland evaluates the quality of teaching and of courses by using the the Summative Evaluation Tool, or SET. Summative evaluation is formal, summative evaluation of teaching undertaken according to University policy and is conducted at the end of a semester/quarter through the use of the formal University SET instruments. Summative evaluation is used by teachers to reflect on their teaching practice, and is also used by the University for quality assurance of teaching and courses.

## **In the Event of an Unexpected Disruption**

We undertake to maintain the continuity and standard of teaching and learning in all your courses throughout the year. If there are unexpected disruptions the University has contingency plans to ensure that access to your course continues and your assessment is fair, and not compromised. Some adjustments may need to be made in emergencies. In the event of a disruption, the University and your course coordinators will make every effort to provide you with up to date information via canvas and the university web site.

## **CHEATING AND PLAGIARISM**

The University of Auckland regards cheating as a serious academic offence.

Plagiarism is a form of cheating. In coursework assignments submitted for marking, plagiarism can occur if you use the work and ideas of others without explicit acknowledgment. Work can be plagiarised from many sources, including books, journal articles, the internet, and other students' assignments. A student's assessed work may be reviewed against electronic source material using computerised detection mechanisms. Upon reasonable request, students may be required to provide an electronic version of their work for computerised review.

The way of avoiding plagiarism is to reference your work properly. If you are in doubt about how to reference properly, ask someone – your lecturers, tutors and the Student Learning Centre are good places to start. Please refer to the following website for further information about academic referencing: [www.cite.auckland.ac.nz/](http://www.cite.auckland.ac.nz/)

The document Guidelines: Conduct of Coursework provides further advice on how to avoid plagiarism. It can be found at:

[www.business.auckland.ac.nz/conductcoursework](http://www.business.auckland.ac.nz/conductcoursework)