

Course Outline 2017
FINANCE 251: FINANCIAL MANAGEMENT (15 POINTS)
Semester 2 (1175)

Course Prescription

This is an introductory course in finance that focuses on the practical aspects of corporate finance. Topics covered include the mathematics of finance, security valuation, investment and financing decisions, risk and return tradeoff, and the fundamentals of international financial management. The goal is to equip students with the basic skills that will be supplemented and extended in FINANCE 261 and the year three finance papers.

Programme and Course Advice

It is assumed that you will be familiar with the core notions in accounting and finance, as well as those of economics and management, at the level of a first year university course. If you lack confidence in your ability to deal with some of the basic concepts, we strongly suggest that you review your lecture notes.

Many of the concepts you encounter will likely be completely new to you. We will guide you through the learning process in lectures. Gaining a deeper understanding will require a great deal of effort from you, we do not expect you to understand immediately and fully the concepts we discuss in lectures. We can only hope that you will think about these further after the lectures, read the textbook and complete the revision problems we have assigned. Although this paper schedules only three formal hours of lectures per week students are expected to devote minimum six additional hours each week in reading and revision and attend any tutorials that may be offered. **Please make use of the Help Desk prior to contacting the course lecturers for any clarification of the course material.**

Students are expected to have a reasonable degree of competence in basic algebra, probability and statistics and Microsoft Excel analytics.

Prerequisite: ACCTG 102 or 192

Recommended: ECON 101, ECON 111, ECON191and MGMT101

Goals of the Course

The main aim of this course is to introduce a set of concepts that are necessary for more advanced finance papers (FIN261, FIN351, FIN361, and FIN362).

This course builds on your year-one accounting and finance knowledge and introduces:

- Introduction to managerial finance.
- Financial tools.
- The risk and return relationship.
- The valuation of securities.
- Long-term investment decisions.
- Short-term financial decisions.
- Long-term financial decisions.

Learning Outcomes

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

1. Introduction to managerial finance
 - Identify the objective of the firm and the role of managerial finance.
 - Outline the implications of the separation of ownership and control.
2. Financial tools
 - Evaluate financial statements using ratio analysis.
 - Apply a variety of time-value-of-money formulae and techniques.
3. The relationship between risk and return.
 - Discuss the risk-return tradeoff and difference between market risk and unique risk.
 - Demonstrate how risk is measured through Capital Asset Pricing Model (CAPM).
 - Discuss the concept of opportunity cost of capital.
 - Explain the concept of weighted average cost of capital (WACC).
4. The valuation of securities
 - Explain the general concept of valuing financial assets.
 - Explain the characteristics of debt and equity securities.
 - Calculate the value of debt and equity securities.
5. Long-term investment decisions
 - Identify capital budgeting cash-flows and apply a variety of capital budgeting techniques
6. Short-term financial decisions
 - Identify why firms need to invest in net working capital.
 - Explain the costs and benefits of different working capital management financing strategies.
7. Long-term financial decisions
 - Outline the alternative sources of long-terms funds and contrast operating leverage and financial leverage.
 - Describe the factors that influence a firm's optimal capital structure and contrast the factors that influence a firm's payout policy.

Content Outline

Module	Topic	Lecture hours (approx.)/ Week	Textbook chapters (2 nd edition)
1	Introduction	2/Week 1	1, 2, 3
2	Financial tools	5/Week 2,3	4, 5, 6
3	Risk, return and the cost of capital	4/Week 4,5	7, 13
4	Valuation of securities	4/Week 5	8, 9
5	Long-term investment decisions	4/Week 6,7,8	10, 11, 12
6	Short-term financial decisions	4/Week 8,9	14
7	Long-term financial decisions	4/Week 10,11	15, 16, 17

Learning and Teaching

LECTURES

Venue	Day	Time
Lib B28 / 109-B28	Monday	8:00am – 9:00am
HSB1/201N-346	Tuesday	3:00pm – 4:00pm
Lib B28 / 109-B28	Thursday	2:00pm – 3:00pm

Please check at [Quicklinks/Student Services Online](#) to confirm the above information.

TUTORIALS

Venue	Day	Time
BLT204 / 106-204	Monday	10:00am – 11:00am
BLT204 / 106-204	Tuesday	10:00am – 11:00am
BLT204 / 106-204	Thursday	10:00am – 11:00am

- Notes:**
1. Class sizes are limited to 110 for each tutorial session.
 2. Tutorials and drop in clinics are from Week 3 to Week 11.

Teaching Staff

Name	Location	Office hours	Email
Graeme Treasure	OGGB 579	Tuesday, 2.00-3.00 pm	g.treasure@auckland.ac.nz
Dulani Jayasuriya	OGGB 527		d.jayasuriya@auckland.ac.nz
Aria Zhang	OGGB 5121, Computer Lab1, OGGB 260-004	Drop in Clinic: Thursday, 11.00-12.00 noon	aria.zhang@auckland.ac.nz
Wanyi Yang	OGGB 5121, Computer Lab1, OGGB 260-004	Drop in Clinic: Thursday, 11.00-12.00 noon	wanyi.yang@auckland.ac.nz

Learning Resources

The recommended textbook is:

Parrino, Kidwell, Au Yong, Dempsey, Morkel-Kingsbury, Ekanayake, Kofoed & Murray (2014) *Fundamentals of Corporate Finance* (2nd Ed.). Wiley:Australia

It is highly recommended that you purchase this e-text (also available in print form) as it will be referred to and used extensively throughout the course. Lecture notes and further readings will also be posted on Canvas. Please download them yourself.

In the lecture notes, you will find recommended problems from the 2nd edition of your textbook. They are designed to test and reinforce your understanding of the materials covered in the lectures. You are strongly encouraged to try to solve the problems before checking solutions, which will be posted on Canvas.

The following books provide a useful background to report writing, a skill that is necessary for gaining a high grade in this course:

Manalo, E., Wong-Toi, G., and Hansen, M. (1997) *The Business of Writing: Written Communication Skills for Commerce Students*, Longman;

Emerson, E. (2005) *Writing Guidelines for Business Students*, Thomson Dunmore Press.

Assessment

Individual Mid-term Test (2 hrs), week6	25%
2 Individual Take Home Tests (online submission, 2% each)	4%
1 Group Take Home Test (hard copy)	11%
Final Exam (2 hours)	60%

Total

100%

All material covered, topics and course content and assessment methods provided in the course outline maybe subject to change prior or during the course.

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

Learning Outcome	Mid-term Test	Written Assignment	Participation	Final Exam
1	X			X
2	X		X	X
3	X	X	X	X
4	X	X	X	X
5		X	X	X
6		X	X	X
7			X	X

Take Home Tests:

Individual

The two individual take home tests will be available online from the beginning of the term. Should be submitted online by each student before the due date. As these are take home tests please do not discuss with other students.

Group

Forming groups is the students' responsibility. The group take home test involves only one hard copy submission per group. Again as this is a group take home test please do not discuss with other groups. Maximum number of students per group is 7 and minimum number is 5.

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.

Academic integrity

The University of Auckland will not tolerate cheating, or assisting others to cheat, and views cheating in coursework as a serious academic offence. The work that a student submits for grading must be the student's own work, reflecting his or her learning. Where work from other sources is used, it must be properly acknowledged and referenced. This requirement also applies to sources on the world-wide web. A student's assessed work may be reviewed against electronic source material using computerised detection to provide an electronic version of their work for computerised review.

Student Feedback

Student course evaluations are requested at the end of each semester.

Changes that have been included for 2017 in response to feedback provided in 2015 and 2016 include:

- A written assignment that may be completed individually or in groups. (It should be noted by accounting students that the accounting body of which they intend becoming a member is likely to assess their ability to work in groups/teams and team work is an important aspect in the finance industry as well).
- The provision of an increased number of old exam and exam-type questions, plus answers/feedback, to assist students practice the application of concepts developed during lectures.