



BUSINESS SCHOOL

Course Outline 2018

FINANCE351: ADVANCED FINANCIAL MANAGEMENT (15 POINTS)

Semester 2 (1185)

Course prescription

This course examines important issues in corporate finance from the perspectives of financial managers who make important investment decisions and financing decisions. This course incorporates an element of financial modelling in teaching and assessments.

Course advice

Prerequisite: FINANCE 251

Goals of the course

We emphasise the development of skills to solve practical corporate finance problems. In order to identify and solve a problem, students must grasp the basic corporate finance theories underpinning various topics. While often using numeric examples to illustrate theories, we stay away from pure theoretical discussions and mindless number crunching.

Learning outcomes (LO)

By the end of the course, it is expected that students will be able to:

#	Learning outcome	Graduate profile capability*
LO1	Understand various forms of market imperfections and their implications for financial managers	1. Disciplinary knowledge and practice 4b. Communication (Written)
LO2	Generate a valuation range for a project or a company	2. Critical thinking 3. Solution seeking
LO3	Understand exchange risks, forward hedge and cash-and-carry hedge; evaluate cross-border projects in simple settings	3. Solution seeking 4b. Communication (Written)
LO4	Apply option theories to solve corporate finance problems	2. Critical thinking 4b. Communication (Written)
LO5	Assess dividend policy's impacts on share prices	3. Solution seeking

#	Learning outcome	Graduate profile capability*
		4b. Communication (Written)
LO6	Discuss the mechanisms of pre-IPO financing, IPOs and SEOs.	3. Solution seeking 4b. Communication (Written)
LO7	Understand the basics of mergers and acquisitions	1. Disciplinary knowledge and practice 3. Solution seeking
LO8	Use Excel to conduct a simple DCF analysis, regression analysis and sensitivity analysis	1. Disciplinary knowledge and practice 3. Solution seeking

* See the graduate profile this course belongs to at the end of this course outline.

Content outline

Module	Topic	Relevant learning resources/activities	Assessment due this period
1. Intro	Introduction, capital markets and financial managers	Text book Ch. 1 & 13 Lecture notes	
2. Valuation	2.1 Valuation foundation	Text book Ch. 2 Lecture notes	Canvas quiz
	2.2 Capital budgeting	Text book Ch. 8 Lecture notes	Canvas quiz
	2.3 Valuing a business	Text book Ch. 9 Lecture notes	Canvas quiz
3. Discount rate	What discount rate to use in DCF analysis?	Text book Ch. 10, 11, 12 Lecture notes	Canvas quiz
4. Cross-border valuation	4.1 Foreign exchange rates and foreign exchange markets	B&H Ch. 2, 3, 6 Lecture notes	Canvas quiz
	4.2 International capital budgeting	Text book Ch. 31 Lecture notes	
5. Options and corporate finance	Financial options and real options, options and corporate finance theories	Text book Ch. 20 & 22	Canvas quiz
6. Capital structure	Capital structure, taxes, distress risks and firm value; information asymmetry and adverse selection	Text book Ch. 14, 15 & 16 Lecture notes	Canvas quiz

Module	Topic	Relevant learning resources/activities	Assessment due this period
7. Payout policy	Dividend policies and share repurchases and firm value	Text book Ch. 17 Lecture notes	Canvas quiz
8. Raising capital	Pre-IPO financing, IPOs and SEOs	Text book Ch. 23 & 24 Lecture notes	Canvas quiz
9. M&As	Mergers and acquisitions	Text book Ch. 28 Lecture notes	Canvas quiz

Learning and teaching

This course schedules three hours of lectures and one hour tutorial per week on average. Students are expected to put in a fair amount of work on a regular basis. In addition to attending classes, students should be prepared to spend about another six hours per week on activities related to this course. These activities include readings, revision, attending tutorials, keeping up with the business press regarding current issues relevant to this course, and preparing for assignments, the term test and the final exam.

Teaching staff

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Learning resources

"Corporate Finance" by Berk, J. and DeMarzo, P., 2014, 3rd Edition, Pearson, ISBN 9780273792062

Or, "Corporate Finance" by Berk, J. and DeMarzo, P., 2016, 4th Edition, Pearson, ISBN 9781292160160

<http://www.pearsoned.co.nz/9781292160160>

The recommended textbook (NOT REQUIRED) for the topic on cross-border valuation is: "International Financial Management" by Bekaert, G.J. and Hodrick R.J., 2nd Edition, ISBN: 978-0-13-216276-0.

You should regularly check CANVAS for course announcements and other important material that may be posted during the semester (including the period between the end of lectures and the final exam day).

Assessment information

Assessment task	Weight %	Group and/or individual	Submission
Assignment One	10%	Group and Individual	Canvas, online
Assignment Two	10%	Group and Individual	Hardcopy, Level 0, OGGB
Canvas Quizzes	7%	Individual	Canvas, online
Mid-semester Test	13%	Individual	Closed book, 1.5 hours
Final Exam	60%	Individual	Closed book, two hours

Pass requirements

Plussage applies. That is, the final exam grade will replace the term test grade if it is to the student's advantage

Description of assessment tasks

Assessment task	Learning outcome to be assessed
Assignment One Students can choose to work in a <i>group</i> to complete a simple financial model. A group can contain one, two, three or four members.	2 & 8
Assignment Two Students can choose to work in a <i>group</i> to estimate the cost of capital of a company, complete a simple cross-border valuation exercise and use option theories to value a business.	3-5
Quizzes Each quiz contains 5-7 multiple choice questions to prepare students for the next lecture. Completing one quiz on time (the mid-night before the lecture day) earns 0.5 mark.	2-7
Mid-semester Test The mid-semester test will be 1.5 hours long and closed book.	1-3
Final Exam The final exam will be two hours long and closed book.	1-8

Inclusive learning

Students are urged to discuss privately any impairment-related requirements face-to-face and/or in written form with the courses 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 worldwide 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 feedback is always welcome as this helps us improve the course. We will conduct formative mid-course evaluations.

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 website.

Graduate profile for Bachelor of Commerce

The following six themes represent the capabilities that the Business School seeks to foster in all of its graduates. The development of these capabilities does not come all at once, but rather is expected to build from year to year. Each course is not expected to contribute to all capabilities, but each course will have its own goals and learning outcomes that relate to the overall development of this profile.

Graduate Profile
Disciplinary knowledge and practice Graduates will be able to demonstrate and apply a breadth of knowledge across disciplines, as well as specialist knowledge within one or more of them, while recognising the relevancy of this knowledge within a global context.
Critical thinking Graduates will be able to analyse and critique theory and practice to develop well-reasoned arguments.
Solution seeking Graduates will be able to identify and frame problems using analytical skills to create and evaluate innovative solutions.
Communication and engagement Graduates will be able to collaborate and communicate effectively in diverse contexts using multiple formats.
Independence and integrity Graduates will be able to respond professionally and ethically, demonstrating a capacity for independent thought and learning.
Social and environmental responsibility

Graduate Profile

Graduates will recognise the significance of the principles underpinning the Treaty of Waitangi and consider their obligations in relation to sustainability, whilst displaying constructive approaches to diversity.

Note that if you are enrolled in a conjoint degree, you should also engage with the Graduate Profile for your other degree programme.