



**Carleton University  
BUSI 2505 B & C**

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**Business Finance  
Winter 2017**

Instructor:	David Jackson	Office:	1716 DT
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Office Hours:	Wednesday 10:30 – 12:30		or by appointment
Section B:	Tuesday 14:35 – 17:25	Classroom:	SA 304
Section C:	Tuesday 08:35 – 11:25	Classroom:	SA 502

**Prerequisites**

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BUSI 1002 or BUSI 1005 and BUSI 2504 with a grade of C or higher. ECON 1000 and MATH 1009 with grades of C- or higher.

The School of Business enforces all prerequisites.

**This Course is Prerequisite to**

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BUSI 3500, BUSI 3502 and BUSI 3512 with a grade of C+ or higher.

**Calendar Description**

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Capital investment and financing decisions in the context of risk and return tradeoffs. Primary and derivative securities, and their role in risk management. Mergers, corporate restructuring, the theory of principal-agent relationships, and financial planning, forecasting, and control.

**Course Objectives**

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We extend BUSI 2504, covering further material in Business Finance and Financial Management. Topics covered include: risk / return analysis, capital budgeting under uncertainty, capital structure analysis, dividend policy, lease financing, derivative securities and risk management. Students will learn principles for making sound decisions about financing (obtaining funds) and investment (using funds) when facing an environment with risk and uncertainty. This approach to financial decisions accounts for uncertainty in available information when using expectations about after-tax cash flows.

This course makes frequent use of quantitative techniques and models.

**Review 2504 notes!**

## Class Format

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Classes will involve lectures, augmented with sample problems.

## Required Text

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Ross, Westerfield, Jordan and Roberts, **Fundamentals of Corporate Finance**, 9<sup>th</sup> Canadian Edition, McGraw-Hill Ryerson, 2016.

## Grading

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Two Problem Sets – Group Work	12% + 8%
Midterm Test	30% or 10%
Final Examination	50% or 70%

## Problem Sets – Groups of Two (2)

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Two (2) problems sets are to be done in groups of two. Problem sets are due (in hard copy) at the start of the classes shown in the course schedule. Should you arrive late, please hand-in during the first break period of the class. For each group, the set with the lower grade will be weighted 8%; the higher set will be weighted 12%. Problem set questions will be posted on cuLearn.

## Term Test

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The class schedule shows the date of the midterm. In fairness to all, neither alternate test times nor a make-up term test will be administered. Students who miss the term test can have the weight of the test added to the weight of the final exam by presenting a doctor's note or other suitable documentation.

For students who earn a higher mark on the midterm than on the final exam, the weight of the term test will be 30% and of the exam will be 50%. For students who earn a higher mark on the final exam than on the midterm, the weight of the term test will be 10% and of the exam will be 70%. Studying hard to do well on the final exam might significantly raise your course mark.

## Final Exam

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The final examination will test your understanding of the concepts covered in the lectures and textbook. The final exam is for evaluation purposes, not instruction. It will not be returned to students.

The date and location of the final exam will be announced through the University's normal procedures. Be sure that you are available for the final exam. **Allowance will not be made for conflicting travel plans.**

**NOTE:** The final exam will be **comprehensive**, covering material from the **entire** course. Students who earn less than 45% on the final exam will receive an "F", regardless of their total mark in the course.

**NOTE:** Students who do not demonstrate a minimum level of in-term performance cannot defer the final exam. The requirement for satisfactory in-term performance is an overall average term mark of 50% or better. Students with unsatisfactory in-term performance who miss the final exam will be awarded FND for the course.

### **Sample Problems**

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Recommended problems from the textbook will be posted on cuLearn, but will not be graded. It is strongly recommended that students work through these problems. Invest considerable effort working on a problem before you allow yourself to look at the solution. Group work is encouraged.

### **Course Sharing Websites**

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Student or professor materials created for this course (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the author(s). They are intended for personal use and may not be reproduced or redistributed without prior written consent of the author(s).

### **How to do better in the course. What you should expect of yourself.**

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1. Attend lectures. Missing lectures could adversely affect your understanding of subsequent materials. Having regular times to be fully focused on the course will help your learning.
2. Read the relevant chapters of the textbook before attending lectures.
3. Engage during lectures. Participate in class. Ask and answer questions.
4. Attempt the recommended problems. Work through the Concept Check problems sprinkled through each chapter. Check out the Online Learning Centre offered by the textbook publisher.
5. Study in a group. Even if you are uncertain, explaining a concept or the solution to a problem to somebody else helps you both to understand. The problem sets give an excellent opportunity to study with others.
6. Read the business section of at least one major news source to keep up with the latest developments in the finance community.
7. Learn the course material as we go along, not just before a test. Spend a minimum of 15 minutes every day on the course. You'll spend much more time some days, but turning your mind to the course every day will pay off.

Best wishes, Dr. David Jackson

## Course Schedule for BUSI 2505 Winter 2017

Week	Lecture	Text Chapter(s)
Jan. 10	Review Time Value of Money. Cash Flows. CCA.	5 & 6 2.3 – 2.5
17	Capital Investment Decisions.	10
24	Project Analysis and Evaluation.	10 & 11
31	Project Analysis and Evaluation.	11
Feb. 07	Review Cost of Capital Financial Leverage & Capital Structure <b>Due:</b> Problem Set 1	14 16
14	Financial Leverage & Capital Structure	16
21	<b>Winter Break – NO LECTURE</b>	
28	<b>Midterm Test</b> (Covers material <u>before</u> Winter Break)	
Mar. 07	Leasing Bond Refunding	22 7B (Connect online)
14	Dividend Policy	17
21	Enterprise Risk Management <b>Due:</b> Problem Set 2	24
28	Options Convertible Bonds	25.1 – 25.4 25.7
Apr. 04	Mergers & Acquisitions	23

While every attempt will be made to keep to the schedule above, circumstances may necessitate modifications during the semester.

## **IMPORTANT ADDITIONAL INFORMATION**

### **RECOMMENDED CALCULATOR IN BUSI COURSE EXAMINATIONS**

If you are purchasing a calculator, we recommend any one of the following options: Texas Instruments BA II Plus (including Pro Model), Hewlett Packard HP 12C (including Platinum model), Staples Financial Calculator, Sharp EL-738C & Hewlett Packard HP 10bII. Only non-programmable calculators without text storage capabilities will be allowed in the test and exam for this course.

Printed translation dictionaries are allowed, as long as they do not contain handwritten notes. Electronic translation dictionaries are not allowed.

### **GROUP WORK**

The Sprott School of Business encourages group assignments in the school for several reasons. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, follower-ship and other group skills. Group assignments are also good for learning integrative skills for putting together a complex task. Your professor may assign one or more group tasks / assignments / projects in this course. Before embarking on a specific problem as a group, it is your responsibility to ensure that the problem is meant to be a group assignment and not an individual one.

### **ACADEMIC REGULATIONS**

University rules regarding registration, withdrawal, appealing marks, and most anything else you might need to know can be found on the university's website, here:

<http://calendar.carleton.ca/undergrad/regulations/academicregulationsoftheuniversity/>

### **ACADEMIC ACCOMMODATION**

You may need special arrangements to meet your academic obligations during the term because of disability, pregnancy or religious obligations. Please review the course outline promptly and write to me with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist.

### **DISABILITIES**

The Paul Menton Centre for Students with Disabilities (PMC) provides services to students with Learning Disabilities (LD), psychiatric/mental health disabilities, Attention Deficit Hyperactivity Disorder (ADHD), Autism Spectrum Disorders (ASD), chronic medical conditions, and impairments in mobility, hearing, and vision. If you have a disability requiring academic accommodations in this course, please contact PMC at 613-520-6608 or

[pmc@carleton.ca](mailto:pmc@carleton.ca) for a formal evaluation. If you are already registered with the PMC, contact your PMC coordinator to send me your ***Letter of Accommodation*** at the beginning of the term, and no later than two weeks before the first in-class scheduled test or exam requiring accommodation (*if applicable*). **Requests made within two weeks will be reviewed on a case-by-case basis.** After requesting accommodation from PMC, meet with me to ensure accommodation arrangements are made. Please consult the PMC website ([www.carleton.ca/pmc](http://www.carleton.ca/pmc)) for the deadline to request accommodations for the formally-scheduled exam (*if applicable*). The deadlines for contacting the Paul Menton Centre regarding accommodations for April 2017 exams is March 10<sup>th</sup>, 2017.

### **RELIGIOUS OBSERVANCE**

Students requesting academic accommodation on the basis of religious obligation should make a formal, written request to their instructors for alternate dates and/or means of satisfying academic requirements. Such requests should be made during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist, but no later than two weeks before the compulsory event.

Accommodation is to be worked out directly and on an individual basis between the student and the instructor(s) involved. Instructors will make accommodations in a way that avoids academic disadvantage to the student.

Students and instructors can confirm accommodation eligibility of a religious event or practice by referring to the Equity Services website (<http://carleton.ca/equity/accommodation/religious-observances/>) for a list of holy days and Carleton's Academic Accommodation policies. If there are any questions on the part of the student or instructor, they can be directed to an Equity Services Advisor in the Equity Services Department for assistance.

### **PREGNANCY**

Pregnant students requiring academic accommodations are encouraged to contact an Equity Advisor in Equity Services to complete *a letter of accommodation*. The student must then make an appointment to discuss her needs with the instructor at least two weeks prior to the first academic event in which it is anticipated the accommodation will be required.

### **ACADEMIC INTEGRITY – YOUR RESPONSIBILITY!**

Violations of academic integrity are a serious academic offence. Violations of academic integrity – presenting another's ideas, arguments, words or images as your own, using unauthorized material, misrepresentation, fabricating or misrepresenting research data, unauthorized co-operation or collaboration or completing work for another student – weaken the quality of the degree and

will not be tolerated. Penalties may include; a grade of Failure in the submitted work and/or course; academic probation; a refusal of permission to continue or to register in a specific degree program; suspension from full-time studies; suspension from all studies at Carleton; expulsion from Carleton, amongst others. Students are expected to familiarize themselves with and follow the Carleton University Student Academic Integrity Policy which is available, along with resources for compliance at:  
<http://www2.carleton.ca/sasc/advisingcentre/academic-integrity/>.

### **ASSISTANCE FOR STUDENTS**

Student Academic Success Centre (SASC): [www.carleton.ca/sasc](http://www.carleton.ca/sasc)

Writing Tutorial Services: <http://www1.carleton.ca/sasc/writing-tutorial-service/>

The Sprott student services office, located in 710 Dunton Tower, offers academic advising, study skills advising, and overall academic success support. If you're having a difficult time with this course or others, or just need some guidance on how to successfully complete your Sprott degree, please drop in any weekday between 8:30am and 4:30pm. Our advisors are happy to discuss grades, course selection, tutoring, concentrations, and will ensure that you get connected with the resources you need to succeed! <http://sprott.carleton.ca/students/undergraduate/support-services/>

Be in the know with what's happening at Sprott: Follow @SprottStudents and find us on Facebook SprottStudents Sprott.

### **IMPORTANT INFORMATION:**

- Students must always retain a hard copy of all work that is submitted.
  - All final grades are subject to the Dean's approval.
  - For us to respond to your emails, we need to see your full name, CU ID, and the email must be written from your valid CARLETON address. Therefore, it would be easier to respond to your inquiries if you would send all email from your Carleton account. If you do not have or have yet to activate this account, you may wish to do so by visiting <http://carleton.ca/ccs/students/>
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