



**Carleton University  
BUSI 3500 C**

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**Applied Corporate Finance  
Winter 2014**

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Office Hours: Thursday 14:35 – 16:30      or by appointment

Section C: Thursday 11:35 – 14:25      Classroom: ME 3235

**Prerequisites**

BUSI 2504 and BUSI 2505, with grades of C+ or higher. ECON 2020 and STAT 2607, with grades of C- or higher.  
The School of Business enforces all prerequisites.

**This Course is Prerequisite to**

BUSI 4500, BUSI 4502, BUSI 4510, BUSI 4511 and BUSI 4512, with a grade of C- or higher.

**Course Objectives**

This course focuses on applying the finance tools learned in BUSI 2504 and BUSI 2505 to decisions in complex business situations. Topics will include issues relating to risk and return, cost of capital, capital budgeting, capital structure, payout policy, and firm valuation. The course will use lectures, complemented by cases as a means of enriching student understanding of the important concepts and practices of corporate finance.

Upon successful completion of this course you will be able to:

- Explain the trade-off between risk and return, and compare the perspective of a firm making project decisions to that of outside investors evaluating the firm
- Analyze long-term investment, financing and payout decisions of a business and be able to identify and discuss the theory and practice of:
  - Cost of capital
  - Capital structure
  - Dividend policy
- Value a firm using different valuation approaches
- Identify and discuss corporate governance issues affecting corporations

## Required Text

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Aswath Damodaran, **Applied Corporate Finance: A User's Manual**, 3<sup>rd</sup> Edition, Wiley, 2011.

*SUPPLEMENTARY TEXT:* Foerster, Dunbar, Hatch, Shaw and Wynant, **Cases in Financial Management**, 4<sup>th</sup> Edition, Prentice-Hall, 2003. *Copies of this text are available on reserve at the MacOdrum Library.*

## Grading

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Case report and presentation (Group work)	10%
Live case study (Group work)	14%
Class Participation (Individual work)	10%
Scrapbook Project (Individual work)	6%
Midterm Test	25% or 0%
Final Examination	35% or 60%

## Term Work (Details provided in the file 'Term Work' on cuLearn)

- **Case reports and presentation (Group work)**
- **Case preparation (Individual & group work)**
- **Live case study (Group work)**
- **Class participation (Individual work)**
- **Scrapbook project (Individual work)**

Practice questions (on cuLearn) will help prepare for the test and exam.

## Term Test (Optional)

The term test will be held on the Saturday shown on the class schedule. This test is optional. No medical note or other justification is required if the test is missed. If a student takes the test, it will count only if her mark ends up being higher than her exam mark. Otherwise, the test weight will be added to the weight of the final exam. That is, there is no penalty for taking the term test and doing poorly. In fairness to all students, no make-up term test will be administered.

## Final Exam (Required)

The final examination will test your understanding of the concepts covered in the lectures and textbook. It will be held during the final examination period. 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 for such matters. 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 40% 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 performance during the term will not be allowed to defer the final exam. The requirement for satisfactory in-term performance is an overall mark of 50% or better on the assignments and term test. Students with unsatisfactory in-term performance who miss the final exam will be awarded FND for the course.

**Peer Evaluation: (Please submit at the end of the semester.)**

The purpose of peer evaluation is to provide feedback to the instructor regarding the contribution to the group projects of individual group members. For whatever reason, some members of the group may not contribute as much as everyone else. To help award appropriate credit to each member of a group, each student should submit, either by email or by hard copy (with your name, student number, and signature), the rating of the members of your group for the Live Case Study and for your group's class case and presentation and written report. The ratings for each individual will be averaged to get a weighting for distributing the marks for group work.

Based upon your estimation of the contribution of each member of the group, including yourself, distribute a total of 100 points amongst your team mates, **(The total, including yourself, should be 100)**. For example, if your group consists of three individuals and if you believe that one member contributed half the value and that the other two members each contributed one quarter, you should allocate one member 50 points and the other members 25 points each.

If I do not receive ratings from a student, I will assume that the student has chosen to distribute points equally among the group members.

## **What is expected of you**

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1. Attend all lectures. The topics that will be covered in this course are cumulative. Missing a lecture could adversely affect your understanding of subsequent materials. I will take attendance at each lecture.
2. Read the relevant chapters of the text book before attending lectures.
3. Individually read and prepare all the assigned cases. Then meet with your group to discuss each other's ideas and analyses.
4. Active class participation. Engage during lectures. Be prepared to ask and answer questions. Read and prepare the assigned cases and be prepared to participate in the discussion. The learning from cases comes through preparation, participation and discussion, including discussion within your group before class.
5. You will be assigned a group. Pick your group's company for the Live Case Study as soon as possible. Pick a company that has good disclosure and research coverage. To be able to do a good analysis, you should start sooner rather than later.
6. Attempt the assigned practice questions. The Applied Corporate Finance Website also provides some chapter questions. You might find it useful to try some of these.
7. Read the business section of at least one major newspaper to keep up with the latest developments in the Finance community.  
e.g. The Globe & Mail, Report on Business or The National Post (Daily), and The Wall Street Journal.
8. Write the test and the exam. Participate actively in your group work.

Best wishes, Dr. David Jackson

## Course Schedule for BUSI 3500 Winter 2014

Week	Lecture / Case	Damodaran (D) Case Book (CB)
Jan. 09	Introduction; the objective of corporate finance decisions; governance issues.	D1, D2
16	Risk measurement; estimating cost of capital	D3, D4
23	<b>Break – NO LECTURE</b>	
30	Risk measurement; estimating cost of capital <b>Choice of Live Case firm due</b>	D3, D4
Feb. 06	Capital budgeting	D5, D6
13	Capital budgeting Case: Cost of capital – Telus Corp.	D5, D6 CB#15
20	<b>Winter Break – NO LECTURE</b>	
27	Valuation Case: Capital budgeting – Laurentian	D12 CB#21
Mar. 01	<b>Midterm Test</b> (Covers chapters 1 – 6)	
Mar. 06	Valuation Case: Valuation – Rushway Brothers	D12 CB#23
13	Capital structure <b>Scrapbook due</b> (Covering Jan. 09 – Mar. 09)	D7, D8
20	Capital structure Case: Valuation – Oxford Learning Centres	D8, D9 CB#24
27	Dividend policy Case: Capital structure – Rocky Mountain	D10, D11 CB#14
Apr. 03	Wrap up Case: Dividend policy – Champion Road <b>Live case study due</b>	CB#22

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.

### **MEDICAL CERTIFICATE**

Please note that in all occasions that call for a medical certificate you must use or furnish the information demanded in the standard university form:

<http://carleton.ca/registrar/forms/>

### **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.

Students with disabilities requiring academic accommodations in this course must register with the Paul Menton Centre for Students with Disabilities (PMC) for a formal evaluation of disability-related needs. Documented disabilities could include but not limited to mobility/physical impairments, specific Learning Disabilities (LD), psychiatric/psychological disabilities, sensory disabilities, Attention Deficit Hyperactivity Disorder (ADHD), and chronic medical conditions. Registered PMC students are required to contact the PMC, 613-520-6608, every term to ensure that your Instructor receives

your Letter of Accommodation, no later than two weeks before the first assignment is due or the first in-class test/midterm requiring accommodations. If you only require accommodations for your formally scheduled exam(s) in this course, please submit your request for accommodations to PMC by the last official day to withdraw from classes in each term.

The Equity Services website provides the policies and detailed information on academic accommodation at: <http://carleton.ca/equity/accommodation>

### **RELIGIOUS OBSERVANCE**

Students requesting academic accommodation on the basis of religious observance 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 academic 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 or instructors who have questions or want to confirm accommodation eligibility of a religious event or practice may refer to the Equity Services website for a list of holy days and Carleton's Academic Accommodation policies, or may contact 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!**

Using, summarizing or copying directly from another person's work, without identifying the name of the original thinker, is considered a form of cheating called "plagiarism". Plagiarism has serious consequences and can result in course / assignment failure and /or academic suspension.

When using, and/or summarizing the ideas and words of another, be it from a web site, a written text, lecture or discussion group, you must identify the source. Should you choose to use the exact words of another, you must

acknowledge these words as such by enclosing them within quotation marks. However, be aware that it is not acceptable to copy large chunks from a source, even if you reference it correctly.

Examples of plagiarism and other instructional offences are identified in the Undergraduate Calendar (section 14, p. 59), parts of which read:

*Examples of **plagiarism** include*

- Submitting a take-home examination, essay, laboratory report, or another assignment, written, in whole or in part, by someone else.
- Using ideas or direct verbatim quotations, paraphrased material, algorithms, formulae, scientific or mathematical concepts, or ideas without appropriate acknowledgements in academic assignments
- Using another's data or research findings
- Failing to acknowledge sources through the use of proper citations when using another's works and/or failing to use quotation marks.

Unauthorized Cooperation or Collaboration

- ... students shall not cooperate or collaborate in the completion of an academic assignment in whole or in part, when the instructor has indicated that the assignment is to be completed on an individual basis. Failure to follow the instructor's direction regarding which assignments, or parts of assignments, should be completed by the individual alone will be considered violation of the standards of academic integrity.
- Answering with another students' **clicker** is also a violation that can lead to severe sanctions.

**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/>

Peer Assisted Study Sessions (PASS): [www.carleton.ca/sasc/peer-assisted-study-sessions](http://www.carleton.ca/sasc/peer-assisted-study-sessions)

**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.
  - Please note that you will be able to link your CONNECT (MyCarleton) account to other non-CONNECT accounts and receive emails from us. However, 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 CONNECT address. Therefore, it would be easier to respond to your inquiries if you would send all email from your connect account. If you do not have or have yet to activate this account, you may wish to do so by visiting <https://portal.carleton.ca/>
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