

## 2018 BUSI 3500 Applied Corporate Finance Section A & B

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Instructor:	Dr. Sana Mohsni	Office:	1715 DT
Section A:	Thursday 2:35pm – 5:25pm	Classroom:	
Section B:	Thursday 8:35am – 11:25am	Classroom:	
Office Hours:	Thursday 12:00 1:30pm or by appointment	Phone:	520-2600 Ext 2991
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### Course Calendar Description

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An examination of the major issues in corporate finance and applied financial management. Topics include: introduction to portfolio theory, the capital asset pricing model, cost of capital, capital structure and dividend policy, lease financing, capital budgeting under uncertainty, mergers and consolidations.

### Prerequisites

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[BUSI 2505](#) with a grade of C+ or higher in each, [ECON 2009](#) and [STAT 2606](#) with a grade of C- or higher in each.

The School of Business enforces all prerequisites.

### This Course is prerequisite for

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BUSI 4500 Advanced Corporate Finance and BUSI 4510 Mergers and Acquisition (with a grade of C- or higher).

### Course Objectives

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

Valuation is the end game, where all of the aspects of corporate finance - investing, financing and dividend policies - come together in one number- *Aswath Damodaran*.

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

- Identify and discuss corporate governance issues affecting corporations
- 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 corporation and be able to identify and discuss the theory and practice of Cost of capital, Capital structure, and Dividend policy.
- Value a firm using different valuation approaches

### Required Text

Aswath Damodaran, **Applied Corporate Finance: A User's Manual**, 4<sup>th</sup> Edition, Wiley, 2011.

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

Grading		Due date
Case analysis (Group work)	10%	TBD
Live case study (Group work)	10%	Dec 6
Quizzes (3)	15%	TBD
Midterm Test	20%	Oct 18
Class Participation	5%	
Final Examination	40%	TBD

**NB: Successful completion of the course requires a pass (at least 50%) of the final examination mark.**

**Case analysis (Group work):** One of the most important requirements for this course is a thorough preparation and analysis of the assigned case and active participation in the classroom. Therefore, you should form your group on the first day of class. Each group will have 5 members. You are responsible for choosing your teammates. One of the group members should email your group list to the instructor soon after the first class. Cases will be assigned after the first class. Each group will be responsible for analyzing, preparing a detailed write-up, and presenting the assigned case to the class. The write-up will be word-processed and professionally written with a maximum length of 3000 words (excluding appendices). The first page of your report will consist of an executive summary of the group's analysis and recommendations. The subsequent pages will document the analysis and reasoning. Numerical analyses that are referred to in the write-up should be provided as appendices. The group also will give a verbal presentation of the case on the dates indicated in the class schedule outlined below. The group will hand in the case report at the beginning of the class presentation. Each group also will prepare and give to the whole class copies of any calculations and/or tables the members consider to be relevant.

Cases will be evaluated using the following criteria:

- Thoroughness of preparation (as revealed in class discussion and written report)
- Knowledge and application of relevant theories and techniques
- Ability to present a well-prepared analysis
- Ability to formulate and present sound diagnosis and recommendations
- Ability to identify strengths and weaknesses in the analysis, diagnosis, recommendations and criticisms of other students' work

**Case preparation:** Learning in class will focus more on the thought process in analyzing business situations, than on the solutions per se. In order to derive maximum benefits from the cases, it is essential that you mentally 'get inside' the case situation. Do not approach a case as you would a chapter in a book or an article in a magazine. You are not an observer, but a participant. If a case centers on a decision that needs to be made, put yourself in the shoes of the decision maker. Feel the frustration he or she feels with respect to data limitations. Feel the pressures he or she feels with respect to difficult tradeoffs, limited resources, political conflicts, or whatever. Once in class, share your ideas with others. In preparing the cases, the following simple rules may be useful:

- (1) Adopt a management posture in analyzing cases. Use the assignment questions as a guide only. Your answer should highlight what you, as a manager, see as the strengths or weaknesses in a given situation.
- (2) Familiarize yourself with the facts of the case. Outline the industry and competitive context and the core strategic tasks that the firm should excel at.
- (3) Support your analysis with facts from the case. Most cases will not contain all data you might like to have. Nevertheless, you'll be surprised at how easily you can make accurate inferences and useful assumptions, if you simply give the current management the benefit of the doubt.

**Live case study (Group work):** Throughout the semester, each student will work in a group to investigate the financial aspects of a Canadian company listed on the Toronto Stock Exchange. Select your company after the first class and email it to the instructor. The goal of this exercise is to provide you an opportunity to apply the concepts that will be discussed in class to a real company and to evaluate whether the company is maximizing value for its shareholders and, in the end, whether the firm is underpriced or overpriced in the marketplace. Details of this assignment are provided in a separate handout available on CuLearn. Also, an example of a live case study is available on CuLearn for your perusal. Sedar.com is a good source of information on companies listed on the Toronto Stock Exchange. This assignment should be submitted to me at the beginning of last class.

**Peer Evaluation:** The purpose of the 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 ensure that each member of the group gets the correct credit for his/her work, each student should submit, either by email or by hard copy (with your name and signature), the rating of the members of your group on the day the particular group work is due. The marks for each individual will be averaged to get the weighting for evaluating the group work. Each group is allocated a total of 100 points to be distributed amongst the group members. Based on your estimation of the contribution of each member of the group, distribute the points among your team mates, including yourself (The total should be 100). For example, if your group consists of four individuals and if each contributed equally, each member (including yourself) should be allocated 25 of the 100 points. If I do not receive this form from an individual student, I will assume that the student has chosen to distribute the points equally amongst the group members.

**Quizzes (3 quizzes):** To encourage you to keep up with the course material and to measure your understanding of the material, I will administer 3 in-class quizzes. Each quiz will be 20 minutes in duration and it will consist of multiple choice questions. At the end of the lecture preceding the week of a quiz, you will be informed of the topics that will be tested. Note that there will be no make-up quiz.

### **Mid-term Exam**

The mid-term test will be held in the week shown in the class schedule. For this test, you will be required to know the materials that will be covered in the first five to six weeks (chapters 1-6 and chapter 12 of the text book).

**Final Exam:** The final examination will test your understanding of the concepts covered in both the lecture and case components of the course. It will be held during the final examination period. The exam format will be explained during the last week of class. Given the nature of this examination, the only valid excuse for missing the exam is one of a medical nature and must be documented by a medical certificate. If the exam is missed for medical reasons, students will have to apply for a deferred examination. Practice questions that will be posted on CuLearn will help you prepare for the exams.

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.**

Only Texas Instruments BA II Plus calculators can be use in the examination. Translation dictionaries are allowed as long as they are in print format and do not contain any handwritten notes. Electronic translation dictionaries are not allowed.

**NOTE:** 1. The final exam will be comprehensive, covering material from the entire course. If you are awarded less than 50% on the final exam, you will receive an "F", regardless of your total mark in the course.

2. 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 quizzes.

### **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 of students at each lecture.
2. Individually read and prepare all the assigned cases. Then meet with your group to discuss each other's ideas and analyses.

3. Active class participation. Read and prepare the assigned cases and be prepared to participate in the discussion. Much of the learning from cases comes through participation and discussion, including discussion within your group before class.
4. Assemble a group and pick your company for the Live Case Study as soon as possible. You should 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.
5. Read the relevant chapters of the textbook before attending lectures.
6. Attempt the assigned practice questions. You may browse the Applied Corporate Finance Website and try some of the chapter questions.
7. Read the business section of at least one major newspaper (e.g. The Globe & Mail, Report on Business or The National Post (Daily), and The Wall Street Journal) to keep up with the latest developments in the Finance community.
8. Write all quizzes and the exam. Participate actively in your group work.

## Course Schedule

<b>Week</b>		<b>Lecture/Case*</b>	<b>Readings: Damodaran (D) Case Book (CB)</b>
1	Sep 6	Introduction: the objective of corporate finance decisions and Governance issues.	D1, D2
2	Sep 13	Risk measurement and determination of cost of capital in practice I	D3, D4
3	Sep 20	Risk measurement and determining the cost of capital in practice II	D3, D4
4	Sep 27	Practical issues in capital budgeting I	D5, D6
5	Oct 4	Practical issues in capital budgeting II including Project (Real) Options <b>Case: Cost of capital – Telus Corp.</b>	D5, D6 CB#15
6	Oct 11	Valuation I <b>Case: Capital budgeting – Laurentian Bakeries</b>	D12 CB#21
7	<b>Oct 18</b>	<b>Midterm Exam, In Class, October 18</b>	
		<b>Fall Break</b>	
8	Nov 1	Valuation II <b>Case: Valuation – Rushway Brothers Lumber</b>	D12 CB#23
9	Nov 8	Capital structure I <b>Case: Valuation –Oxford Learning Centres Inc</b>	D7, D8 CB#24
10	Nov 15	Determining Optimal Capital structure in practice <b>Case: Capital structure – Rocky Mountain</b>	D8, D9 CB#14
11	Nov 22	Dividend policy	D10&11; CB#22
12	Nov 29	Introduction to Mergers and Acquisitions <b>Case: Dividend policy – Champion Road</b>	D10, D11 CB#28
13	Dec 6	Wrap up: <b>Case: M&amp;A: United Grain Growers Limited</b> <b>Live case study is due</b>	

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

## ADDITIONAL INFORMATION

### Course Sharing Websites

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).

### Required 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

### 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.

In accordance with the Carleton University Undergraduate Calendar (p 34), the letter grades assigned in this course will have the following percentage equivalents:

A+ = 90-100	B+ = 77-79	C+ = 67-69	D+ = 57-59
A = 85-89	B = 73-76	C = 63-66	D = 53-56
A - = 80-84	B - = 70-72	C - = 60-62	D - = 50-52
F = Below 50			

Grades entered by Registrar:

WDN = Withdrawn from the course

DEF = Deferred

### Academic Regulations, Accommodations, Etc.

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/>

### Requests for Academic Accommodation

You may need special arrangements to meet your academic obligations during the term. For an accommodation request, the processes are as follows:

### Pregnancy obligation

Please contact your instructor 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. For more details, visit the Equity Services website: [carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf](https://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf)

### **Religious obligation**

Please contact your instructor 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. For more details, visit the Equity Services website: [carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf](https://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf)

### **Academic Accommodations for Students with Disabilities**

If you have a documented disability requiring academic accommodations in this course, please contact the Paul Menton Centre for Students with Disabilities (PMC) at 613-520-6608 or [pmc@carleton.ca](mailto:pmc@carleton.ca) for a formal evaluation or contact your PMC coordinator to send me your Letter of Accommodation at the beginning of the term. You must also contact the PMC no later than two weeks before the first in-class scheduled test or exam requiring accommodation (if applicable). After requesting accommodation from PMC, meet with me to ensure accommodation arrangements are made. [carleton.ca/pmc](https://carleton.ca/pmc)

### **Survivors of Sexual Violence**

As a community, Carleton University is committed to maintaining a positive learning, working and living environment where sexual violence will not be tolerated, and is survivors are supported through academic accommodations as per Carleton's Sexual Violence Policy. For more information about the services available at the university and to obtain information about sexual violence and/or support, visit: [carleton.ca/equity/sexual-assault-support-services](https://carleton.ca/equity/sexual-assault-support-services)

### **Accommodation for Student Activities**

Carleton University recognizes the substantial benefits, both to the individual student and for the university, that result from a student participating in activities beyond the classroom experience. Reasonable accommodation must be provided to students who compete or perform at the national or international level. Please contact your instructor 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.

For more information on academic accommodation, please visit: [students.carleton.ca/course-outline](https://students.carleton.ca/course-outline)

### **Academic Integrity**

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 on 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: <https://carleton.ca/registrar/academic-integrity/>.

### **Sprott Student Services**

The Sprott student services office, located in 710 Dunton Tower, offers academic advising, study skills advising, and overall academic success support. If you are 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/learning-support/>

### **Centre for Student Academic Support**

The Centre for Student Academic Support (CSAS) is a centralized collection of learning support services designed to help students achieve their goals and improve their learning both inside and outside the classroom. CSAS offers academic assistance with course content, academic writing and skills development. Visit CSAS on the 4th floor of MacOdrum Library or online at: [carleton.ca/csas](http://carleton.ca/csas).

### **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, in order to respond to your inquiries, please send all email from your Carleton CMail 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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