



Carleton
UNIVERSITY

SPROTT
SCHOOL OF BUSINESS

2020 BUSI 3500 Applied Corporate Finance
Section A & B

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|---------------|--|------------|---------|
| Instructor: | Dr. Sana Mohsni | Office: | 1715 DT |
| Section A: | Friday 14:35-17:25 | Classroom: | Online |
| Section B: | Friday 8:35am – 11:25am | Classroom: | Online |
| Office Hours: | Wednesday 12:00 1:30pm via Zoom or MS Teams | | |
| Email: | sana.mohsni@carleton.ca | | |

TA: TBA
Email: TBA

Modality: *Online (80% asynchronous and 20% synchronous)

Course Calendar Description

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, capital budgeting under uncertainty, mergers and consolidations.

Prerequisites

[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

BUSI 4500 Advanced Corporate Finance and BUSI 4510 Mergers and Acquisition (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 business decisions. Topics to be discussed will include issues relating to risk and return, cost of capital, capital budgeting, capital structure, dividend 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**, 4rd Edition, Wiley, 2014.

| Grading | | Due date |
|-----------------------------------|-----|---------------|
| Valuation Case Study (Group work) | 10% | Dec 4 |
| Live Case Study (Group work) | 20% | Dec 11 |
| Quizzes (2) | 15% | Oct 9, Nov 27 |
| Midterm Test | 20% | Nov 6 |
| Final Examination | 35% | TBD |

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

Instructional method

This course will be offered virtually. Most sessions will be pre-recorded and you are encouraged to listen to these pre-recorded sessions during regular class-time. I will be available via Zoom or MS Teams during the last 45 min of each class to discuss lectures' material and answer specific questions.

Missing Tests/Deadlines

The only valid excuse for missing a test, including the midterm test, or a deadline is for medical reasons or death in the family and must be documented with a medical certificate. Any other reason (such as travel, etc...) will not be considered. If you miss the midterm tests or a deadline for a reason that is not deemed as legitimate, your mark will be zero.

Valuation Case Study (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 solving the case. 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. Each group will be responsible for analyzing the case and preparing a detailed write-up. 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 title of the case that is assigned to your class this year is.

The report is due on the last class before midnight. The report is to be submitted via CuLearn using the appropriate Dropbox.

Cases will be evaluated using the following criteria:

- a. Thoroughness of preparation as revealed in the written report
- b. Knowledge and application of relevant theories and techniques
- c. Ability to present a well-prepared analysis
- d. Ability to formulate and present sound diagnosis and recommendations

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. Share your ideas with others and with your group mates. 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 US or a Canadian company listed on the NYSE or the Toronto Stock Exchange. Select your company after the first class and email it to the instructor for approval. The goal of this exercise is to provide you with 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 will be 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. Each group will prepare a presentation of the live case study, record it and submit it on the last class. This assignment is to be submitted at the appropriate Dropbox on CuLearn on .

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 by email 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 (2 quizzes): To encourage you to keep up with the course material and to measure your understanding of the material, I will administer 2 virtual in-class quizzes (virtual in-class means that the quizzes will be virtual but need to be taken during the class time). Each quiz will be 20-30 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. Quizzes will be administered via CuLearn. 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. The midterm exam will be a mix of multiple choice questions and numerical problems and will test you both on the theory and the application of corporate finance. The midterm exam will be administered via CuLearn and will be taken during class-time.

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 final exam will be written online and will be administered via CuLearn. The date and time 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.

Only Texas Instruments BA II Plus calculators can be used in the examination.

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. Students with unsatisfactory in-term performance who miss the final exam will be awarded FND for the course.

What is expected of you

1. Watch all videos and lectures’ recordings. The topics that will be covered in this course are cumulative. So follow the lectures and videos sequences. Missing a lecture could adversely affect your understanding of subsequent materials.
2. Individually read and prepare the assigned case. Then meet with your group to discuss each other’s ideas and analyses.
3. Read and prepare the assigned case 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 each lecture.
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

| Week | | Lecture/Case* | Readings: Damodaran (D) |
|-------------|--------|--|--|
| 1 | Sep 11 | Introduction: the objective of corporate finance decisions and Governance issues. | D1, D2 |
| 2 | Sep 18 | Risk measurement and determination of the cost of capital in practice I | D3, D4 |
| 3 | Sep 25 | Risk measurement and determination of the cost of capital in practice II | D3, D4 |
| 4 | Oct 2 | Practical issues in capital budgeting I, | D5 |
| 5 | Oct 9 | Practical issues in capital budgeting II, Quiz #1 | D5 D6-Options embedded in projects |
| 6 | Oct 16 | Valuation I | D12 |
| 7 | Oct 23 | Valuation II | D12 |
| | | Fall Break | |
| 8 | Nov 6 | MidTerm Exam (Online to be taken during regular class time) | |
| 9 | Nov 13 | Capital structure I | D7, D8 |
| 10 | Nov 20 | Determining Optimal Capital structure in practice | D8 |
| 11 | Nov 27 | Dividend policy, Quiz #2 | D10 |
| 12 | Dec 4 | Review and Introduction to Mergers and Acquisitions, time permitting Valuation Case Study due date | |
| 13 | Dec 11 | No formal class- Recorded presentations of the live case studies are due at the beginning of the class time, Live Case Study due date | |

*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:

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|--------------|-------------|-------------|-------------|
| 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

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

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

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 for a formal evaluation or contact your PMC coordinator to send your instructor 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 your instructor as soon as possible to ensure accommodation arrangements are made.

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 its 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/sexual-violence-support

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. <https://carleton.ca/senate/wp-content/uploads/Accommodation-for-Student-Activities-1.pdf>

For more information on academic accommodation, please contact the departmental administrator or visit: 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/>

* Note that the office is physically closed. However, e-drop in is available between 8:30-4:30 until social distancing requirements are updated by the Province

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.

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 <https://carleton.ca/its/get-started/new-students-2/>
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