



Carleton
University

Sprett
School of Business

**WINTER 2023 BUSI 3500B APPLIED CORPORATE FINANCE
SECTION C**

Instructor: Paul Wefers Bettink

Class Time: Wednesday 11:35 am to 2:25 pm

Office Hours: TBA

Email: paulwefersbettink@cunet.carleton.ca

Modality: In person

Office: via Zoom

Classroom: NI 3030

Course Calendar Description:

BUSI 3500 - Applied Corporate Finance

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.

Prerequisite(s): BUSI 2505 (with a grade of C+ or higher), and STAT 2601 or STAT 2606 (with a grade of C- or higher in each).

Prerequisites

[BUSI 2505](#) (with a grade of C+ or higher), [ECON 2009](#) and [STAT 2601](#) or [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, 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.

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**, 4th Edition, Wiley, 2014.

Grading

		Due date
Valuation Case Study (Group work)	10%	March 22
Live case study (Group work)	20%	April 6
Quizzes (2)	10%	Feb 8, March 29
Midterm Test	20%	March 1
Final Examination	40%	TBD

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

Valuation Case Study (Group work): One of the most important requirements for this course is a thorough preparation and analysis of a valuation case study and active participation in solving the case. The valuation case study title is: **Vakrangee: Anatomy of Stock Valuation (to be obtained from Ivey Business School, The University of Western Ontario).** You can purchase this case online.

This is a group work, 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 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. A printed copy of this assignment should be submitted to me at the beginning of class on the due date. An electronic (Microsoft Word) copy should be uploaded to Brightspace before the start of class on the due date.

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 your group members. 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 (same group with whom you are working on the valuation case study) to investigate the financial aspects of a Canadian or U.S. company listed on the Toronto Stock Exchange or the NYSE/NASDAQ. Select your company after the first class and email it to the instructor. 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 are provided in a separate handout available on Brightspace. Also, an example of a live case study is available on Brightspace for your perusal. Good sources of information include www.sedar.com, www.tmx.com (for TSXlisted companies) and <https://www.sec.gov/edgar/searchedgar/companysearch.html> (for U.S. companies). A printed copy of this assignment should be submitted to me at the beginning of the last

class. An electronic (Microsoft Word) copy should be uploaded to Brightspace before the start of the last class. The write-up will be word processed 12-font, double spaced and professionally written with a maximum length of 25 pages (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.

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 (2 quizzes): To encourage you to keep up with the course material and to measure your understanding of the material, I will administer 2 in-class quizzes. Each quiz will be 2030 minutes in duration and will consist of multiple-choice questions. Quiz 1 will test you on material covered in Lectures 1 – 4 and Quiz 2 will test you on material covered in the 4 lectures on Valuation and Optimal Capital Structure. Note that there will be no make-up quizzes.

Midterm Exam

The midterm 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 four weeks (chapters 1-6 of the textbook). 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. Make sure you are available to write the midterm exam as scheduled. Practice midterm exam questions will be posted to BrightSpace.

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 in Brightspace 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 financial and non-programable calculators can be used in the examination. Recommended financial calculators include: Texas Instruments BA II Plus (including Pro Model), Hewlett Packard HP 12C (including Platinum model), Sharp EL-738C & Hewlett Packard HP 10bII. Note for those who are planning to write the Chartered Financial Analysis (CFA) only Texas Instruments BA II Plus (including BA II Plus Professional) and the Hewlett Packard 12C (including the HP 12C Platinum, 12C Platinum 25th anniversary edition, 12C 30th anniversary edition, and HP 12C Prestige) are allowed (<https://www.cfainstitute.org/about/governance/policies/cfa-calculator-policy>)

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 interim 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. 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.
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.

It is recommended that you work on the tasks for each chapter immediately after the chapter is covered in class.

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 exams. Participate actively in your group work and in class.

Course Schedule

Week	Date	Lecture*	Readings: Damodaran (D)
1	Jan 11	Introduction: the objective of corporate finance decisions and Governance issues.	D1, D2
2	Jan 18	Risk measurement and determination of cost of capital in practice I	D3, D4
3	Jan 25	Risk measurement and determining the cost of capital in practice II	D3, D4
4	Feb 1	Practical issues in capital budgeting I	D5, D6
5	Feb 8	Practical issues in capital budgeting II Quiz #1	D5, D6
6	Feb 15	Valuation I	D12
7	Feb 22	Fall Break	
8	March 1	Midterm Exam	
9	March 8	Valuation II	D12
10	March 15	Determining Optimal Capital structure in practice I	D7, D8

11	March 22	Determining Optimal Capital structure in practice II Valuation Case Study due date	D8, D9
12	March 29	Dividend policy Quiz #2	D10, D11
13	April 5	Introduction to Mergers and Acquisitions, time permitting OR Review Session Live case study due	

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

Contribution to Learning Goals of the Program (BCom, BIB):

Program Learning Goal	Competencies Not Covered	Competencies Introduced (only)	Competencies Taught But Not Assessed	Competencies Taught and Assessed
CHECK (X) ONE PER ROW				
BC1 Knowledge <i>Graduates will be skilled in applying foundational business knowledge to appropriate business contexts.</i>				X
BC2 Collaboration <i>Graduates will be collaborative and effective contributors in team environments that respect the experience, expertise and interest of all members.</i>				X
BC3 Critical Thinking <i>Graduates will be discerning critical thinkers, able to discuss different viewpoints, challenge biases and assumptions, and draw conclusions based on analysis and evaluation.</i>				X
BC4 Communication				X

<i>Graduates will be effective and persuasive in their communications.</i>				
BI5 Global Awareness (BIB ONLY) <i>Graduates will be globally-minded.</i>	X			

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 Spratt 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.

Grading

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

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 Accommodation

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.

Process: If an alleged violation occurs, all relevant documentation will be forwarded to the Dean. If the allegation proves true, the 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.

For a first offence, at a minimum, the penalty assigned will normally be a zero on the submitted work and at least a minimum full grade reduction of the final course grade. For a second offence, at a minimum, the penalty assigned will normally lead to a suspension from studies.

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 Undergraduate Student Services Office offers program advising and overall student success support. Our team is available to discuss your academic goals and your program progression plans. We can also work with you to develop strategies for success, including study skills for Business. If you experience any difficulty this term or if you would like to access support, please contact our team at bcom@sprott.carleton.ca or at bib@sprott.carleton.ca.

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 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/>

Covid-19 Information:

It is important to remember that COVID is still present in Ottawa. The situation can change at any time and the risks of new variants and outbreaks are very real. There are [a number of actions you can take](#) to lower your risk and the risk you pose to those around you including being vaccinated, wearing a mask, staying home when you're sick, washing your hands and maintaining proper respiratory and cough etiquette.

Feeling sick? Remaining vigilant and not attending work or school when sick or with symptoms is critically important. If you feel ill or exhibit COVID-19 symptoms do not come to class or campus. If you feel ill or exhibit symptoms while on campus or in class, please leave campus immediately. In all situations, you must follow Carleton's [symptom reporting protocols](#).

Masks: Carleton has paused the [COVID-19 Mask Policy](#), but continues to strongly recommend masking when indoors, particularly if physical distancing cannot be maintained. It may become necessary to quickly reinstate the mask requirement if pandemic circumstances were to change.

Vaccines: Further, while proof of vaccination is no longer required as of May 1 to attend campus or in-person activity, it may become necessary for the University to bring back proof of vaccination requirements on short notice if the situation and public health advice changes. Students are strongly encouraged to get a full course of vaccination, including booster doses as soon as they are eligible, and submit their booster dose information in [cuScreen](#) as soon as possible. Please note that Carleton cannot guarantee that it will be able to offer virtual or hybrid learning options for those who are unable to attend the campus.

All members of the Carleton community are required to follow requirements and guidelines regarding health and safety which may change from time to time. For the most recent information about Carleton's COVID-19 response and health and safety requirements please see the [University's COVID-19 website](#) and review the [Frequently Asked Questions \(FAQs\)](#). Should you have additional questions after reviewing, please contact covidinfo@carleton.ca.
