



FINA 5502 I
Corporate Finance
Summer 2022

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Office: TBD
Office Hours: Thursday 2:30 pm - 4:30 pm

Class Meeting: Thursday 11:35 am - 2:25 pm, NI 4040

Learning Modality: In total, attending class for this course will require the following approximate time commitment (excluding readings and assignments):

- 18 hours HyFlex (i.e., delivered in-person; remote attendance possible)

This course will employ *HyFlex delivery*. Although in-person attendance is preferred, remote learners will be able to participate remotely via Zoom. However, depending on the health situation, all or part of this course could be delivered remotely, including online.

Course Calendar Description:

Aspects of corporate finance of most concern to managers: investment, financing and payout decisions, corporate restructuring. Case studies will be used.

Course Description:

In today's increasingly complex business environment where every business decision has financial implications, knowledge of corporate finance is a requirement for senior executives. This course offers a broad overview of finance from the perspective of the financial manager. It focuses on financing securities and choices faced by the firm, its decisions about capital structure and payout policy as well as working capital management. This is the second of the two core courses in finance and the course is designed to meet the needs of a wide variety of students. For some, this is a terminal course in finance; for others, it is a gateway course to a finance concentration. Thus, the course content covers broad but key concepts, principles, and analytical tools that are of interest to anyone who intends to work in business. The course should also help you gain an appreciation for some key areas of financial decision-making and its importance to the success of the enterprise. As sometimes noted, finance is the backbone of every organization.

Course Learning Objectives:

Upon completion of this course, students will be expected to have:

1. An understanding of the trade-off between risk and return
2. The knowledge needed to evaluate projects and use the DCF (discounted cash flow) approach to make capital budgeting decisions

3. An understanding of the financing choices faced by the financial manager and the trade-offs associated with financing by way of debt and equity, and financing by way of internal sources and external sources
4. An understanding of payout policy and the different ways that a firm can use to return capital to its shareholders

Course Prerequisites:

FINA 5501

Textbook:

Brealey, Myers, Marcus, Mitra and Gajurel, **Fundamentals of Corporate Finance**, 7th Canadian Edition, McGraw-Hill Education Limited, 2020.

Final Exam Date:

June 16, 2022

Drop Course Policy:

The deadline for academic withdrawal is the last day of classes (each term).

Grading Scheme:

Quizzes (2 @ 10%)	20%	Due: May 26 and June 9
Case Study	10%	Due: June 2 @ 11:59pm
Live Case Study	25%	Due: June 9 @ 11:59pm
Presentation Live Case Study	5%	Due: June 9 @ 11:59pm
Final Exam	40%	Due: Jun 16 @ 11:30am
TOTAL	100%	

Each component of your grade will be assigned a percentage score. Your final course grade will be a weighted average of each of these components.

- Quizzes: There will be two in-class online quizzes aimed at ensuring that you are keeping up with the course material and understanding the concepts covered in the chapters. Administered online during the regular class time, the quizzes will be: (i) 20-30 minutes long; (ii) consist of multiple-choice questions that will test your understanding of the theory and application of corporate finance; (iii) administered at the beginning of the class on the days that they are scheduled. Quiz #1 will be based on material covered in lectures 1, 2 and 3 while Quiz #2 will be based on material covered in lectures 4 and 5. The quizzes will be closed-book but you are allowed a one-page self-prepared formulae sheet. Students will be allowed to use a TI BAII plus calculator or equivalent. Note that there will be no make-up quiz.
- Case Study (Group work): One of the most important requirements for this course is a thorough preparation and analysis of an assigned case. The assigned case for the Summer 2022 term is: ***Estimating Walmart's Cost of Capital (to be purchased from Ivey Publishing at www.iveypublishing.ca)***. This is a group project, and you are required to form your group on the first day of class. Each group will have 4 or 5 members. You are responsible for choosing your teammates and 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 of the assigned case.

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 will upload the final Microsoft Word Document to the appropriate Dropbox folder in Brightspace.

Cases will be evaluated using the following criteria:

- a. Thoroughness of preparation (as revealed in written report)
- b. Knowledge and application of relevant theories and techniques covered in the relevant chapters
- c. Ability to formulate and present sound diagnosis and recommendations
- d. Ability to identify strengths and weaknesses in the analysis, diagnosis, recommendations, etc.

Case preparation: To effectively analyze and unleash maximum benefits from 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 a passive observer, but an active 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 trade-offs, 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:

- a. 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.
 - b. 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.
 - c. Support your analysis with facts from the case. Most cases will not contain all data you might like to have. Nevertheless, you will 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:** Throughout the semester, each student will work in the same group to investigate the financial aspects of a Canadian or U.S. company listed on the Toronto Stock Exchange, NYSE or 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. Details of this assignment are provided in a separate handout available in Brightspace. Also, an example of a live case study will be provided in Brightspace for your perusal. Good sources of information include www.tmx.com, www.sedar.com and <https://www.sec.gov/edgar/searchedgar/companysearch.html>. The final Microsoft Word Document should be uploaded in the appropriate Dropbox folder in Brightspace.
 - **Live Case Study Presentation:** In addition to the live case study report, each group will prepare a 20-minute presentation of their live case study. This presentation should be pre-recorded and shared via Brightspace by the deadline. Each group member needs to be actively involved in this work and must present part of the material. Business attire is expected. The following sections need to be covered in your presentation:

- ✓ A brief presentation of the firm, its corporate governance, its main business, industry it operates in and important projects.
 - ✓ A presentation of the firm's risk and return profile including the firm's overall risk, its beta and market risk, performance profile of an investment in the company and the return an investor would earn by investing in the company's stock.
 - ✓ A presentation of the capital structure choices of the firm. Is the capital structure optimal? Why or why not?
 - ✓ A presentation of the payout policy. How is the firm returning cash to its shareholders? Do you agree with the current payout policy? Why or why not? How would you recommend the firm returns cash to its owners?
- **Final Exam:** A final exam will be conducted online via Brightspace during the usual MBA exam period. It will be a 3-hour exam and all students will be writing the exam at the same time (with webcams on). The final exam, which will be comprehensive, will be a mix of multiple-choice questions and problems, and will test your knowledge of the theory and applications of the corporate finance topics/chapters covered in the class. The final exam is closed-book and closed-notes. However, students will be allowed to use a financial calculator and a formulae sheet. Practice questions that will be posted on Brightspace will help you prepare for the exam. Students who are unable to write the final examination because of illness or other circumstances beyond their control must contact the instructor and the MBA office in writing to request for a deferred exam. Permission may be granted when the absence is supported by a medical certificate and or appropriate document(s) to support the reason for the deferral. **Allowance will not be made for conflicting travel plans.**

Late Assignments:

To ensure fairness for all students, penalties will be applied to late assignments: Failure to submit an assignment on time will result in an initial penalty of five (5) percentage points, followed by an additional (2) percentage points per day thereafter. For example, an assignment that would normally merit a grade of 80% would receive a grade of 75% if submitted after the deadline on the due date, 73% if submitted the following day, and so on. Requests for extension will be considered in cases of illness, family emergency, or other exceptional circumstances.

Expectations for Preparation and Participation:

This course is comprised of six 3-hour class meetings. Class time will be used in part for lectures. Class time not devoted to lectures will be used to address mini-cases and sample problems. The sessions are expected to be interactive and class participation is encouraged. Some specific expectations include:

- Attend all lectures since there is a high correlation between attendance and performance. As well, the topics that will be covered in this course are cumulative, and missing a lecture could adversely affect your understanding of subsequent material.
- Read the relevant chapters of the textbook before attending lectures.
- Attempt all the practice questions and suggested problems that will be posted in Brightspace.
- Actively participate in class and in your group meetings. Read the assigned case to familiarize yourself with the issues contained in the material and be prepared to participate in the discussion of the material.
- Write all quizzes and exams when they are due. Submit all deliverables when they are due. Note that there will be no make-up tests, assignments or exam.

- 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 and Mail, Report on Business, The National Post, The Wall Street Journal and The Financial Times.

COURSE SCHEDULE

Week	Date	Topic	Chapter
Week 1	May 5	Risk and Return	Ch. 11 & 12
Week 2	May 12	Cost of Capital	Ch.13
Week 3	May 19	Using Discounted Cash Flow Analysis to Make Investment Decisions	Ch. 9
Week 4	May 26	Raising Capital Quiz #1	Ch. 15
Week 5	June 2	Leverage and Capital Structure Case Study Due: Estimating Walmart's Cost of Capital	Ch. 16
Week 6	June 9	Dividend Policy Quiz #2 Live Case Study Due Presentation Live Case Study Due	Ch. 18
	June 16	Final Exam	

Contribution to Program Learning Goals ([MBA](#)):

MBA Learning Goal	Not Covered	Introduced	Taught but Not Assessed	Taught and Assessed
MB1 Leadership and Collaboration <i>Graduates will be equipped for leadership and collaboration.</i>		✓		
MB2 Communication <i>Graduates will be effective communicators</i>				✓
MB3 Critical Thinking and Problem Solving <i>Graduates will be skilled in critical thinking and problem solving.</i>				✓
MB4 Functional Knowledge <i>Graduates will have functional knowledge of all areas of business.</i>				✓
MB5 Global Business <i>Graduates will have an appreciation of the global environment of business.</i>				✓
MB6 Ethical Reasoning <i>Graduates will be skilled in ethical reasoning and decision-making.</i>	✓			

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).

Recommended Calculator for 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. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, followership and other group skills. Group assignments are also an effective way to learn integrative skills for putting together a complex task. Your professor may assign one or more group tasks, assignments, or 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.

Peer Evaluation for Group Work

To deter social loafing and ensure fairness in grading, you will be asked to assess the contribution of your fellow group members. This information will be used when assigning the grade for the final project. The procedure is as follows: Each student should take 100 points and allocate those points to the various members of the group (including him/her/themself) to reflect the contributions made by each member. For instance, if there are four members in a group and everyone contributed equally, each individual would receive 25 points. Conversely, if an individual contributed relatively little, the remaining group members might allocate few points to that member. To ensure that these peer evaluation scores are reasonable and free from personal bias, you will be asked to provide a detailed written explanation for your point allocation.

Letter Grades:

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	F = Below 50
A = 85-89	B = 73-76	C = 63-66	D = 53-56	
A - = 80-84	B - = 70-72	C - = 60-62	D - = 50-52	

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**

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: <https://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf>

- **Religious Obligations**

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: <https://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf>

- **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. <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 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: <https://carleton.ca/sexual-violence-support/>

- **Student Activities**

Carleton University recognizes the substantial benefits, to both the individual student and the university, that result from participating in activities beyond the classroom experience. Reasonable accommodation will 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: <https://students.carleton.ca/course-outline/>

Academic Integrity:

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—are a serious academic offence, 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/>

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: <https://carleton.ca/csas/>

Other 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 can do so by visiting <https://carleton.ca/its/get-started/new-students-2/>