

FINA5505
CORPORATE FINANCE
Winter 2024

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Office Hours: Tuesday 9 am -10:30 am, Online

Class Meeting: Monday, 11:35 am- 2:25 pm, NI 4050

Course Calendar Description: Aspects of corporate finance of most concern to managers: investment, financing and payout decisions, corporate governance. Case studies will be used. Includes: Experiential Learning Activity Precludes additional credit for FINA 5502.

Course Description: This course offers a broad overview of finance from the perspective of the financial manager. It focuses on investment and financing choices faced by the firm, its decisions about capital structure and dividend policy as well as working capital management. The course covers broad but key concepts, principles, and analytical tools that are of interest to anyone who intends to work in the business world. The course should help you gain an appreciation for some key areas of financial decision-making and their importance to the success of the enterprise.

Course Learning Objectives:

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

1. An understanding of the different forms of business organizations, the goal of a corporation, the conflicts of interest that arise between the different stakeholders of the firm, and of the importance of ESG considerations in today's business world.
2. The knowledge needed to assess projects, use the discounted cash flow (DCF) technique to make capital budgeting decisions, and understand working capital management.
3. An understanding of the financing choices faced by the firm and the tradeoffs associated with financing by way of debt and equity, this is the capital structure decision.
4. An appreciation of the cost of capital of the firm and how it can be determined.
5. An understanding of the dividend policy and the different means that a firm can use to return capital to its shareholders.

Course Prerequisites: Enrolment in Master of Finance program

Required Materials: Brealey, Myers, Marcus, *Fundamentals of Corporate Finance*, 11th Edition, McGraw-Hill Ryerson. ISBN 978 1 264 10156 6

Final Exam Date: April 22nd during regular class time

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

Grading Scheme: <i>(see example)</i>		Due Date
Quizzes (10% +10%)	20%	Apr 1 & 15
Live Case Study Weekly Tasks	35%	Mar 18, Ap 1, 8, 15, 22 and 29
Presentation Live Case	5%	
Final Group Project	40%	
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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: To encourage you to keep up with the course material and to assess your understanding of concepts covered in class, two in-class online quizzes will be administered in this course (in-class online means that the quizzes will be administered online during the regular class time). Each quiz will be 20-30 minutes in duration, will be administered at the beginning of the class, and will consist of multiple-choice questions that will test your understanding of the theory and application of corporate finance. Quiz#1 will test you on material covered in Lectures 1, 2, and 3, and Quiz#2 will test you on material covered in Lectures 4 and 5. The quizzes will be closed-book but you can use 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.

Live case study (Group work with Weekly tasks): Throughout the semester, each student will work in a group (of 4 to 5 students) to investigate the financial aspects of a US or a Canadian company listed on the NYSE, the Toronto Stock Exchange or NASDAQ. 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. Details of this assignment will be provided in a separate handout available on Brightspace. Also, an example of a live case study is available on Brightspace for your perusal. Sedar.com is a good source of information on companies listed on the Toronto Stock Exchange. The Live case study consists of six weekly tasks that you are expected to execute within your group. The details of each task will be available on Brightspace. The tasks are to be submitted on a weekly basis. Submission deadlines are available on Brightspace. You will be receiving comments and feedback on your weekly submissions. You will also be given the opportunity to submit a corrected and consolidated final report of the Live case study at the end of the term. This report needs to reflect comments and feedback received on the weekly tasks and is to be submitted using the appropriate Dropbox on Brightspace. If you are satisfied with your performance on the weekly tasks, there is no need to make a consolidated final submission of the live case study.

Live Case Study Presentation: In addition to the live case study weekly tasks and final report, each group will prepare a 20-min presentation of the live case study. This presentation needs to be pre-recorded and shared via Brightspace by the deadline. Each group member needs to be actively involved in this work and 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 & main projects and the industry it operates in.

-A presentation of firm's risk and return profile What is the risk profile of your company? How much overall risk is there in this firm? What is its beta and market risk? What is the performance profile of an

investment in this company? What return would you have earned investing in this 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 owners? 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 will be a mix of multiple-choice questions and problems and will test your knowledge of the theory and applications of corporate finance covered in class and in the readings. The final exam is closed-book and closed-notes. 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 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 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.

Preparation and Participation:

1. *Read the relevant chapters of the textbook before each class.*
2. *Attend all classes.* The topics that will be covered in this course are cumulative. Missing a lecture could adversely affect your understanding of subsequent materials.
3. *Individually read and prepare the assigned case. Then meet with your group to discuss each other's ideas and analyses.*
4. *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.*
5. *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.*
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.*

9. You are responsible for material covered in class and in the textbook chapters addressed in the course.

Contribution to Program Learning Goals (MFin):

MFIN Learning Goal	Not Covered	Introduced	Taught but Not Assessed	Taught and Assessed
MF1 Ethical and Professional Conduct <i>Graduates will conduct themselves in alignment with the CFA Code of Ethics and Standards of Professional Conduct.</i>		✓		
MF2 Financial Markets, Institutions, and Instruments <i>Graduates will demonstrate an understanding of financial markets, instruments, and institutions.</i>			✓	✓
MF3 Portfolio Management <i>Graduates will understand the motivations of investors and manage an investment portfolio that achieves those objectives.</i>		✓	✓	
MF4 Data Analysis <i>Graduates will be proficient in data management, analytics, and modeling.</i>			✓	✓
MF5 Communication <i>Graduates will be effective communicators.</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/themselves) 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.

GROUP PEER EVALUATION

The purpose of this evaluation is to provide feedback to the Professor regarding individual group member’s contribution to the group work. To ensure that each member of the group gets a fair credit for his/her work, I would like each group member to submit the following rating for other members of the group via email by **the end of Week #7**. These ratings will be averaged and will be reflected on each member’s group work mark. Note that you do not have to submit this form if everyone did what was expected of him/her. If no such ratings are received, then each individual will receive the same mark for the group work.

Instructions:

In both columns, indicate (out of 5, where 5 is excellent) the marks that you believe reflects the quality of the individual review contribution to the project.

Your name _____

	Group Member Name (excluding your own)	LIVE CASE STUDY (out of 5)
1.		
2.		
3.		
4.		
5.		

Comments if any:

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 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 email 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/>

COURSE SCHEDULE

Week	Date	Topic/Agenda	Pre-class Prep
1	Mar 4	Goals and Governance of the Corporation	Ch 1 Textbook
2	Mar 11	Principles of Investment Decisions	Ch 8 & 9 Textbook
3	Mar 18	Principles of Investment Decisions, Task #1	Ch 9 & 20 Textbook
4	Apr 1	The Weighted Average Cost of Capital, Quiz #1, Task #2	Ch 13 Textbook Supplemental Readings: Ch 7, 8 & 12 Textbook
5	Apr 8	Debt and The Capital Structure of The Firm, Task #3	Ch 16 Textbook Supplemental Readings: Ch 14 Textbook
6	Apr 15	Dividends and The Payout Policy, Quiz #2, Task #4	Ch 17 Textbook Supplemental Readings: Ch 25 Textbook
	Apr 22	Final Exam (virtual via Brightspace, during regular class time)	