

**Commerce 4FA3
Applied Corporate Finance
Fall 2019 Course Outline**

**Finance and Business Economics
DeGroot School of Business
McMaster University**

COURSE OBJECTIVE

This course uses the case method to study the practical aspects of central topics in corporate finance. The course applies some of the concepts and techniques introduced in 2FA3 and 3FA3 classes to actual situations. In addition to analyzing the specific financing problems or issues, this course considers how those issues relate to the strategic objectives of the firm. It will be important to examine the "holistic" and "big picture" assumptions that are used in the numerical calculations. Overall, this course represents a strong mix of the quantitative and the qualitative aspects of a corporate decision-making process. It is designed to place a strong emphasis on presentation and discussion skills. It will be vital to explain your positions or arguments to each other and try to argue for the implementation of your recommendations.

INSTRUCTOR AND CONTACT INFORMATION

Section C01: Thursday 07:00 pm – 10:00 pm at DSB AB103

Instructor:

Waquar Ahmad

Email: ahmadw9@mcmaster.ca

Office: DSB 311

Office Hour: By Appointment

Student TA

Not Available

Course website: <http://avenue.mcmaster.ca>

COURSE ELEMENTS

Credit Value:	3	Leadership:	Yes	IT skills:	Yes	Global view:	Yes
A2L:	Yes	Ethics:	Yes	Numeracy:	Yes	Written skills:	Yes
Participation:	Yes	Innovation:	Yes	Group work:	Yes	Oral skills:	Yes
Evidence-based:	Yes	Experiential:	No	Final Exam:	No	Guest speaker(s):	Yes

COURSE DESCRIPTION

This course has one goal: to provide you with a strong foundation in the principles of corporate finance and an opportunity to apply these principles to practical and managerial decisions. The course uses case studies to bridge the gap between fundamental finance theories and their applications to practical questions in corporate finance. A deep understanding of the concepts of this course is useful beyond corporate finance, in general management, corporate strategy, management consulting, entrepreneurship, as well as investment banking and investment management.

This is a student-centered class, with discussion and student presentations accompanied by Q&A being the dominant component. There will be no teaching assistant available for the course.

While the course is not designed to dwell on abstraction, the basic theoretical underpinnings of the various topics are a prerequisite to competent analysis and intellectual discussion. It emphasizes the development of problem-solving skills based on a good understanding of the business environment as opposed to pure theorizing or mindless numbers exercises. Because of the practical importance of the material and as an illustration of the relevant theory, the focus is on examples and cases.

LEARNING OUTCOMES

Upon completion of this course, students will be able to complete the following key tasks:

- Assess the intrinsic value of the company;
- Be able to allocate funds to the most attractive investment opportunities;
- Manage the firm's cash-flow to ensure financial solvency;
- Structure the financial claims on the firm between debt and equity securities such that it creates shareholder value;
- Obtain a knowledge of a firm's optimal cash payout policy;
- Monitor and control all aspects of the firm's risk in order to maintain a balance of risk and returns that is consistent with share-price maximization;
- IPO and M&A mechanisms and pricing decisions.

COURSE MATERIALS AND READINGS

- There is no required textbook for this course. However, you may find the textbooks you have used for your previous finance courses helpful for reference.

Lecture notes will be posted on Avenue before each class. The cases covered in this class are available as a Course-pack from Harvard Business Publishing. Students are INDIVIDUALLY required to purchase the course pack. However, they are not required to purchase (or use) optional items. Please use your official McMaster email for the "Course-pack" purchase as it will be tracked by HBP,

and violation of copyright by copying or otherwise distributing course pack material will be brought to the attention of the university as a copyright violation and will significantly impact your grade in the course.

- Link for course-pack: <https://hbsp.harvard.edu/import/658041>

EVALUATION

Student groups, consisting of four to six members, will be formed and case assignments will be available by the Friday of week 1. While groups are expected to form organically, I may have to use my 'instructor's privileges (in difficult situations) to make suggestive changes in the group formation stage.

Deliverable	Note	Marks
Class participation (individual)	2.5 @ 8 sessions Bonus* (5%)	20%
Case analysis (group)	Analysis and presentation 15% Q&A response 5% Report 5%	25%
Shadow case analysis (group)	Analysis and summary report 5% Q&A performance 5%	10%
Midterm Exam (individual)	In class, open notes	20%
Final Exam (individual)	During exam week, open notes	25%
Total		100%

Class Participation (20%): You will be expected to participate and contribute in class discussion on the assigned case for every given session. You will collect points based on attendance and participation. When the quality of your participation is high you will get bonus points* at my discretion. Since student participation is an important component of this course, I will be taking attendance regularly, and will be mindful of the quality of student participation and engagement.

You must have a name card with your **full first and last name** clearly written and displayed in front of you for **every** class.

I will judge your performance based both on the quality and the quantity of your comments. Perceptive questions are as effective as solid answers. Students who are absent or passive during discussions will not score well on this dimension. Similarly, students who develop a pattern of dominating class discussion with trivial comments will see their participation scores decrease.

I may cold-call individual students for comments or discussion.

In order to help reduce any uncertainty, I will give periodic updates on your class participation marks. Participation grade for each class will need to be earned in each class and cannot be shifted to another session. Any student who demonstrates disrespectful behavior to others and/or disruptive conduct in class will receive automatic zero for participation component for that class.

Case Analysis (25%): Preparation for the team cases is done in groups of four to six, depending on the size of the class. Each group will have one case assigned for analysis for the course. The group will prepare slides/ notes/ other tools necessary to convey their position on the case being analyzed. The group work will also involve a small report submission on the case due before the presentation.

The report must be short, that is, less than ten double-spaced typed pages with at most five one-page exhibits, concise, and to the point. The submission must be made in the designated dropbox in the course Avenue page. The group will also submit the spreadsheet (if) used to conduct analysis and reach conclusion. Each presentation will run for approximately 45 minutes. Class participants and the instructor will ask questions on the presentation.

For the group case presentations, I will grade professionalism, elegance and quality, not quantity. Please make clear what question(s) you are answering with your analysis. Do not show exhibits that you do not plan to use in your arguments. I will take off points for gratuitous and unnecessary stuff.

Each member of the group will receive the same grade for group cases. However, if there is a conflict within a group (or concerns about free rider problem), I reserve the right to give the students in that particular group the opportunity to evaluate their group-mates on their respective contribution and performance. In such rare cases, the final group case grades (which is 25% of the course grade) will be a function of the grade you get as a group (60%) and your peer evaluation (40%).

The following are some general guidelines for preparing case write-ups:

- Highlight your main conclusions in an executive summary (no more than one page) that contains specific results from your analysis.
- Identify the objective and the main issues of the case.
- The main body of your analysis should be self-explanatory and reasonably self-contained. That is, the reader should be able to replicate your results by tracing through the writeups and spreadsheets.
- State clearly the inputs to your analysis and the chosen methodology. If you feel that certain assumptions need to be made to justify a solution technique or a parameter choice, please make the assumption explicit.
- Justify your findings by providing the intuition. Where appropriate, perform sensitivity analysis and discuss the robustness of your results.

In the past, students have asked professors to hand out their case analysis "answers" after the class has discussed the case. However, my policy is not to hand them out in general. The reason is that there are usually no absolute right answers. The best cases are deliberately written to be ambiguous. Nevertheless, while there are no right answers, there are good arguments and bad arguments. This course is designed to help you learn to distinguish between sensible and senseless arguments. Handing out the analyses would reduce the ambiguity in the cases and partially defeat the purpose of doing the cases -- as well as stifle your creativity.

Shadow case analysis (10%): Each group will be assigned to produce their analysis and viewpoints on a case which may be confirming/ conflicting/ different to the original group making the case presentation. During the semester each group will be assigned to deliver a short discussion of a case. The shadow group can decide on their mode of presenting their case. Time allotted for a shadow

group is 15 minutes. Class participants and the instructor will ask questions in the shadow discussion. Besides the short discussion/presentation in the class, the shadow group will also submit a one-page (double spaced) executive summary along with the spreadsheet used to conduct the analysis and reach their position.

Midterm Exam (20%): The midterm exam will be open book and a case-based assessment. It will test students on their understanding of concepts and problem-solving ability. Participants will be provided with a case to analyze individually during the exam. You can bring any tools (notes, books, calculators) other than computers and phones to assist you during the exam. The midterm will take place during weekly class session in week 7 (**24th October**) of the semester. The case used in the midterm exam will entail topics covered till week 6 of the course.

Make-up midterm exams **will not** be given. If you do miss the mid-term and are approved for a Notification of Absence or MSAF, your grades for the mid-term will be re-weighted to the other graded individual components of the course grades. Exams are scheduled well in advance so that students can plan accordingly. An unexcused absence from an exam will result in a grade of zero on the exam.

Final Exam (25%): The final exam will be comprehensive and will cover material from all lectures and all the cases. It will be open book and a case-based assessment. It will test students on their understanding of concepts and problem-solving ability. You can bring any tools (notes, books, calculators) other than computers and phones to assist you during the exam. The final exam will be scheduled by the central exams office and notified to the class once the date is released.

Components and Weights

The instructor reserves the right to modify the weightings to adjust for material covered during the semester.

Communication and Feedback

Students who wish to correspond with me directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Area Administrative Assistants. Students will receive evaluation feedback for at least 30% of the final grade prior to Week #9 in the term.

ACADEMIC INTEGRITY

Students are expected to exhibit honesty and use ethical behavior in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behavior can result in serious consequences, e.g. the grade of zero on an assessment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the *Academic Integrity Policy*, located at:

www.mcmaster.ca/academicintegrity

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one’s own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

AUTHENTICITY/PLAGIARISM DETECTION

In this course we will be using a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. Students will be expected to submit their work electronically either directly to Turnitin.com or via Avenue to Learn (A2L) plagiarism detection (a service supported by Turnitin.com) so can be checked for academic dishonesty. Students who do not wish to submit their work through A2L and/or Turnitin.com must still submit an electronic and/or hardcopy to the instructor. No penalty will be assigned to a student who does not submit work to Turnitin.com or A2L. All submitted work is subject to normal verification that standards of academic integrity have been upheld (e.g., on-line search, other software, etc.). To see the Turnitin.com Policy, please go to;

www.mcmaster.ca/academicintegrity.

ONLINE COURSE COMPONENTS

In this course we will be using emails and Avenue to Learn. The course-pack contains a set of 10 cases offered from Harvard Business Publishing. It is mandatory for each student to purchase the course-pack using the link provided in the outline. Students should be aware that when they access the electronic components of this course, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course. The available information is dependent on the technology used. Continuation in this course will be deemed consent to this disclosure.

If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

Students may request relief from a regularly scheduled midterm, test, assignment or other course components. Please refer to the policy and procedure on the DeGroote website at the link below;

<http://ug.degroote.mcmaster.ca/forms-and-resources/misled-course-work-policy/>

STUDENT ACCESSIBILITY SERVICES

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements with a Program Coordinator. Academic accommodations must be arranged for each term of study. Student Accessibility Services can be contacted by phone 905-525-9140 ext. 28652 or e-mail sas@mcmaster.ca.

For further information, consult McMaster University's Policy for Academic Accommodation of Students with Disabilities:

<http://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicAccommodation-StudentsWithDisabilities.pdf>

ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the RISO policy. Students requiring a RISO accommodation should submit their request, including the dates/times needing to be accommodated and the courses which will be impacted, to their Faculty Office normally within 10 days of the beginning of term or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

<https://multifaith.mcmaster.ca/riso>

POTENTIAL MODIFICATION TO THE COURSE

The instructor reserves the right to modify elements of the course during the term. There may be changes to the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

ACKNOWLEDGEMENT OF COURSE POLICIES

Your enrolment in Commerce 4FA3 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

COURSE SCHEDULE

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Week	Date	Topics to be covered	Case of the week
1	Sep-05	Introduction to the course – outline review What you should know already How to do a case analysis Form groups; Assign cases	
2	Sep-12	Business Performance Analysis	Generating Higher Value at IBM (A)
3	Sep-19	Capital Budgeting	Target Corporation
4	Sep-26	Cost of Capital	The Boeing 7E7
5	Oct-3	Capital Structure	Deluxe Corporation
6	Oct-10	Dividend Policy	Autozone, Inc
7	Oct-17	No Classes – Mid-term recess	
8	Oct-24	MIDTERM EXAM – Open Notes	
9	Oct-31	Valuation – M&A	Sun Microsystems
10	Nov-07	IPO	Ferrari: The 2015 IPO
11	Nov-14	Leveraged Buyout	DuPont Corporation
12	Nov-21	Bankruptcy – Choice of Funding	Stelco Inc.: Bankruptcy & Restructuring
13	Nov-28	FinTech	Cutting through the Fog
TBA		FINAL EXAM (3 Hours) – Open Notes	

Every effort will be made to manage the course as stated here. However, adjustments may be necessary for various reasons at the discretion of the instructor. Any alterations will be announced prior to being implemented.