

**Commerce 4FA3
Applied Corporate Finance
Winter 2022 Course Outline**

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

COURSE OBJECTIVE

1. To recognize, understand, analyze, and craft corporate strategies aimed at the creation of shareholder wealth.
2. To explore fully the strategic assumptions, the theoretical underpinnings, and the appropriate use of valuation techniques and principles.

INSTRUCTOR AND CONTACT INFORMATION

Section 1: Friday 8:30 – 11:20 am

Dr. Anna N. Danielova

Instructor

adaniel@mcmaster.ca

Office: DSB 322

Office Hours: By appointment

Tel: (905) 525-9140 x26193/

Class Location: DSB AB103

Wei-Ju (Fred) Liao

Teaching Assistant

liaow7@mcmaster.ca

Office: DSB A210

Office Hours: TBA

Tel: (905) 525-9140 x26185

Course Website: On Avenue to Learn

COURSE ELEMENTS

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

COURSE DESCRIPTION

This course is taught primarily through the lectures and case studies. Through the extensive use of case analysis this course provides a rigorous introduction to corporate value creation in global competitive markets. Value creation principles and valuation framework are used to provide answers to such questions as: What is the most appropriate notion of value and how is it measured? How do we use finance to evaluate corporate strategies and determine whether they create or destroy value? How to effectively communicate corporate and financial strategies to financial markets? Students will also develop a proficiency in the technology necessary to implement this knowledge in a real-world setting. The objective is to familiarize students with principles of value-based management as well as cutting-edge valuation tools that are based on modern finance theory.

LEARNING OUTCOMES

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

1. Assess the intrinsic value of the company;
2. Be able to allocate funds to the most attractive investment opportunities;
3. Manage the firm's cash-flow to ensure financial solvency;
4. Structure the financial claims on the firm between debt and equity securities such that it creates shareholder value;
5. Receive a knowledge of a firm's optimal cash payout policy;
6. 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;

REQUIRED COURSE MATERIALS AND READINGS

Avenue to Learn registration for course content, readings, and assignments

- <http://avenue.mcmaster.ca/>

Damodaran, Aswath, Corporate Finance: Theory and Practice, 2001, Wiley, 2nd edition.

- purchase a copy at the bookstore

Cases are provided on Avenue to Learn.

Articles and other materials passed out in class

EVALUATION

All work will be evaluated on an individual basis except in certain cases where group work is expected. In these cases group members will share the same grade adjusted by peer evaluation if necessary. Your final grade will be calculated as follows:

GRADE COMPONENTS AND WEIGHTS	
Project (group)	35%
Project Presentation (group)	5%
Midterm (individual)	40%
Participation (individual)	20% ¹
Total	100%

Conversion

At the end of the course your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme.

LETTER GRADE	PERCENT	LETTER GRADE	PERCENT
A+	90-100	C+	67-69
A	85-89	C	63-66
A-	80-84	C-	60-62
B+	77-79	D+	57-59
B	73-76	D	53-56
B-	70-72	D-	50-52
		F	0-49

Participation

Name cards and assign seating are used to help give credit for your participation. You must have a name card with your full first and last name clearly written and displayed in front of you for every class.

Since student participation is an important component of this course, official McMaster student ID photographs will be used to ensure that each student is assessed accurately. The instructor will use the photograph to ensure the accuracy of participation marks, group work, and for identifying students for grading purposes

¹ Any student who demonstrates disrespectful to others and/or disruptive conduct in class will receive automatic zero for participation component.

Expectations

Since this course makes extensive use of classes and class discussion, it is imperative that the class, both as individuals and collectively, prepare for each class and participate in the discussion. For this reason, my evaluation of your performance weights effective classroom participation. 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 suffer. Since I judge your participation score from the point of view of your immediate supervisor, consider your score as your three-month performance review. I also reserve the right to cold-call on anyone at any time.

Communication and Feedback

Students who wish to correspond with instructors or TAs 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. All students must receive feedback regarding their progress prior to the final date by which a student may cancel the course without failure by default.

*For Level 1 and Level 2 courses, this feedback must equal a minimum of 20% of the final grade.
For Level 3 courses and above, this feedback must equal a minimum of 10% of the final grade.*

Instructors may solicit feedback via an informal course review with students by Week #4 to allow time for modifications in curriculum delivery.

LOGISTICS

Everything regarding the course (including syllabus, lecture notes, project, announcements, etc.) will be posted on Avenue to Learn. It is your responsibility to follow up the Avenue page to be current with the class. Lecture notes, if available, should be downloaded before each lecture if available. Have them ready for every class.

Calculators

Calculators are encouraged for exams, and for all practical purposes, required. Calculators must be silent. Prior to exams or quizzes, calculator memories will be subject to inspection if they are programmable. Notebook PCs are not allowed during exams. The use of a McMaster standard calculator is suggested.

Team Project

Students will assemble 4 or 5 person teams to complete a Project. The final report, due April 8, 2022, is comprehensive analysis of company corporate strategies: you will be asked to comment on company's capital structure, dividend policy, and appropriate cost of capital, and their effect on value. In addition you should estimate the intrinsic value of the company's stock. The overall

project will be evaluated in light of the completeness of the analysis you choose to do, the techniques you choose to employ, and the impact of the results you choose to present in your written report. Begin each report with a summary memorandum and make effective use of tables and graphs. Extensive footnoting and compilations of long bibliographic lists are not encouraged. I will judge your work from the point of view of your senior financial officer. More detailed information on project will be provided in class.

Exam

You are responsible for anything covered in class (regardless of whether or not you attended). Midterm exam is open book and notes. I do not want to test your memory, but the knowledge.

Punctuality

Classes begin on time. Latecomers disrupt the presentation of lecture materials.

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

In the event of an absence for medical or other reasons, students should review and follow the Academic Regulation in the Undergraduate Calendar [“Requests for Relief for Missed Academic Term Work”](#) and the link below;

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

ACADEMIC INTEGRITY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity. **It is your responsibility to understand what constitutes academic dishonesty.**

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 behaviour can result in serious consequences, e.g. the grade of zero on an assignment, 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.

For information on the various types of academic dishonesty please refer to the [Academic Integrity Policy](#), located at <https://secretariat.mcmaster.ca/university-policies-procedures-guidelines/>

The following illustrates only three forms of academic dishonesty:

- plagiarism, e.g. the submission of work that is not one’s own or for which other credit has been obtained.
- improper collaboration in group work.
- copying or using unauthorized aids in tests and examinations.

AUTHENTICITY/PLAGIARISM DETECTION

Some courses may use a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. For courses using such software, students will be expected to submit their work electronically either directly to Turnitin.com or via an online learning platform (e.g. A2L, etc.) using plagiarism detection (a service supported by Turnitin.com) so it can be checked for academic dishonesty.

Students who do not wish their work to be submitted through the plagiarism detection software must inform the Instructor before the assignment is due. No penalty will be assigned to a student who does not submit work to the plagiarism detection software.

All submitted work is subject to normal verification that standards of academic integrity have been upheld (e.g., on-line search, other software, etc.). For more details about McMaster's use of Turnitin.com please go to www.mcmaster.ca/academicintegrity.

COURSES WITH AN ON-LINE ELEMENT

Some courses may use on-line elements (e.g. e-mail, Avenue to Learn (A2L), LearnLink, web pages, capa, Moodle, ThinkingCap, etc.). Students should be aware that, when they access the electronic components of a course using these elements, 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 a course that uses on-line elements will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure please discuss this with the course instructor.

CONDUCT EXPECTATIONS

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the [Code of Student Rights & Responsibilities](#) (the "Code"). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online.**

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g. use of Avenue 2 Learn, WebEx or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students' access to these platforms.

ACADEMIC ACCOMMODATIONS OF STUDENTS WITH DISABILITIES

Students with disabilities who require academic accommodation must contact [Student Accessibility Services](#) (SAS) at 905-525-9140 ext. 28652 or sas@mcmaster.ca to make arrangements with a Program Coordinator. For further information, consult McMaster University's [Academic Accommodation of Students with Disabilities](#) policy.

ACADEMIC ACCOMMODATIONS 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 should submit their request to their Faculty Office ***normally within 10 working days*** of the beginning of term in which they anticipate a need for accommodation 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.

COPYRIGHT AND RECORDING

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by University instructors.

The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image may be recorded by others during the class. Please speak with the instructor if this is a concern for you.

EXTREME CIRCUMSTANCES

The University reserves the right to change the dates and deadlines for any or all courses in extreme circumstances (e.g., severe weather, labour disruptions, etc.). Changes will be communicated through regular McMaster communication channels, such as McMaster Daily News, A2L and/or McMaster email.

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.

POTENTIAL MODIFICATIONS TO THE COURSE

The instructor and university reserve the right to modify elements of the course during the term. The university may change 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.

COURSE SCHEDULE²

Zoom link to all classes scheduled online:

<https://mcmaster.zoom.us/j/98599221483?pwd=M0tkSUFYRmhudTINSWtFOVlUbTBEUT09>

Meeting ID: 985 9922 1483

Passcode: 792601

Week	Date	Topic	Case of the week	Reading List
1	1/14	Introduction; Financial Statement and CF Analysis		Ch 2, 3, 4, 5
2	1/21	Discount Rates; Uncertainty and Risk Cost of Capital	Case: <i>Dell Computer</i>	Ch 6, 7, 8, 16
3	1/28	<i>Project description</i> Capital Budgeting Risk Management	Case: <i>Telus</i>	Ch 9, 10, 11, 12, 13, 14, 15
4	2/4	Capital Structure	Case: <i>Pepsico</i>	Ch 17, 18, 19
5	2/11	<i>Company requests due</i> Capital Structure	Case: <i>Borders Hotel</i>	Ch 20
6	2/18	Capital Structure	Case: <i>Rocky Mountain</i>	
7	2/21-2/25	Mid-term recess		
8	3/4	Midterm		
9	3/11	Valuation and Firm Value		Ch 24, 25
10	3/18	The Dividend Decision	Case: <i>Oxford Learning</i>	Ch 21, 22, 23
11	3/25	Options in Corporate Finance	Case: <i>Champion Road Machinery</i>	Ch 27; Handouts to be distributed
12	4/1	Corporate Finance for Private Firms	Case: <i>Arundel Partners</i>	Capital Projects as Real Options
13	4/8	Project is due Project Presentations		
14	4/15	Make up class if needed		

² 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 professor. Any alterations will be announced prior to being implemented.