

**Commerce 3FK3  
Intermediate Corporate Finance  
Fall 2022 Course Outline**

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

---

***COURSE OBJECTIVE***

---

This course engages in theory of corporate finance and analytical techniques finance managers use in running a business enterprise. It is an extension of the finance theories and practices developed in Managerial Finance (COMM 2FB3). The focus is on investment decisions, financing decisions and payoff decisions managers must make in running a business. The course plans to develop an understanding of corporate governance from a finance manager's perspective as well as delve into identifying and valuing options available to managers in different decision-making process.

---

***INSTRUCTOR AND CONTACT INFORMATION***

---

**Instructor: Waqar Ahmad**  
[Ahmadw9@mcmaster.ca](mailto:Ahmadw9@mcmaster.ca)  
Office: DSB 311  
Office Hours: Wed 12:00 pm

**TA: Eric Wilson**  
[Wilsoe40@mcmaster.ca](mailto:Wilsoe40@mcmaster.ca)  
Office: TBA  
Office Hours: TBA

**Section C01:** Tue 3:30 pm – 4:20 pm, Thu 2:30 pm – 4:20 pm (DSB B105)

**Section C02:** Tue 11:30 am – 12:20 pm, Thu 10:30 am – 12:20 pm (ABB 270)

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

---

***COURSE ELEMENTS***

---

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

---

## ***COURSE DESCRIPTION***

---

Central to the understanding of corporate financial management is the concept of agency issues arising from separation of ownership and control. The course will have an in-depth look into the issues of agency cost and the mitigating effects of corporate governance. The course will then examine important issues in corporate finance – capital budgeting using different project analysis tools; optimal capital structure considering efficient capital markets and anomalies emanating from manager's behavioral traits and beliefs; ideal payout policy and retention of earnings; and real options available to managers in all these decision-making processes.

This course will be taught through lectures, readings, in-class discussions, weekly mini case studies, and a group case analysis.

---

## ***LEARNING OUTCOMES***

---

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

- Appreciate agency issues and the role of corporate governance in mitigating them.
- Develop vital corporate finance strategies in capital budgeting and capital structure given the opportunities and resources available to the manager.
- Apply basic capital budgeting tools in project evaluation and employ advanced analytical tools like scenario analysis, sensitivity analysis for deeper evaluation.
- Identify optimum capital structure while taking efficient market hypotheses as well as behavioral biases in cognizance.
- Prepare a cohesive payout and retention policy considering the investor mandate.
- Use real options – identify and evaluate the flexibility in financial decision-making process in light of uncertainty.

---

## ***COURSE MATERIALS AND READINGS***

---

RECOMMENDED: *Principles of Corporate Finance*, 14<sup>th</sup> edition, by Brealey, Myers, Allen & Edmans, McGraw Hill.

One case study from Harvard Business Publishing.

Further reading materials may be suggested by the instructor during the lectures. Slides and other teaching materials can be downloaded from Avenue to Learn. Students are encouraged to keep themselves up to date with current issues in finance, as they may be discussed in class when appropriate.

---

## ***COURSE OVERVIEW AND ASSESSMENT***

---

There are three different types of assessments for this course. The final student grade will be calculated as follows based on these. The components of the course grade will be weighted as follows. The instructor reserves the right to modify the weightings to adjust for material covered during the semester. Student questions and/or comments are encouraged and appreciated during the lecture and discussion sessions – 10% of the course grade is counted based on meaningful student contribution to class discussions.

## Components and Weights

Assessments	Weight	Type of question	When/where
<b>Mini test (best 4 of 5)</b>	5%*4 = 20%	Short problems from lectures and cases (completed individually)	TBD (in class)
<b>Class participation</b>	10%	Subjective (updated on a bi-weekly basis)	Through the term (in class)
<b>Midterm test (x2)</b>	25%*2 = 50%	Case analysis, short questions	Mid 1: 6 Oct (in class) Mid 2: 17 Nov (in class)
<b>Case report</b>	20%	Completed in group of 3 - 5	18th December 11:59 PM

NOTE: The use of a McMaster standard calculator is allowed during examinations in this course. See McMaster calculator policy at the following URL:

[www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf](http://www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf)

---

### ***COURSE DELIVERABLES***

---

#### ***Mini test (Best 4 of 5 tests carrying 4\*5% = 20%)***

There will be 5 mini tests taking place during the term. They will take place during the regularly scheduled classes and challenge student knowledge and understanding based on the lectures and case analyses done in class the prior week. Students will complete these individually. No mini test will take place during the midterm recess week and the two weeks immediately following the midterm tests.

The dates of the mini tests will be announced in class one week prior to the tests.

Each mini test will carry a total of 5% of total grade. Best 4 of 5 mini tests will be considered when finalizing student grade for the class. **Time extensions are not granted for these mini tests under any circumstances. Missed mini tests will receive a grade of zero.**

#### ***Class participation (Throughout the term; 10%)***

This is an advanced finance class which will use case analyses often. Students are expected to bring their knowledge and understanding of the materials to be discussed in class. While there is no required textbook for the class, students are expected to come prepared with 'some' information to contribute to class discussions for each week's topic of discussion.

Class participation grades would be subjective. **All students start with a grade of 10/10 at the beginning of term for class participation.** You can only lose class participation grade if you are adjudged to have failed to contribute meaningfully to class discussions through the term.

Students are encouraged to ask me about their class participation grades during the term to have updated information on their participation grade.

**Midterm tests (2 tests carrying 2\*25% = 50%) – In person**

The two midterm tests have a duration of 120 minutes each. The tests will take place during week 5 (October 6<sup>th</sup>) and week 10 (November 17<sup>th</sup>) of the term. These tests will involve analyzing cases and some concept and numerical checks.

**Missed tests/exams will receive a grade of zero unless the student has submitted and been approved for a Notification of Absence or MSAF.**

At McMaster University, student learning in undergraduate courses should be assessed on more than one occasion. No single academic obligation (e.g., essay, test, examination, etc.) should have a value of more than 75% of the final grade without approval from the Department Chair or Associate Dean's Office. The two midterm tests in this course are each worth 25% of total grade. **To this end, a student can request relief for one of the tests only (as approved by the Student Experience Office for coursework worth more than 24%). If a student needs to submit a request for missed coursework for both tests during the semester, s/he will have to communicate with the instructor so that an alternate arrangement can be made.** The final exam marks will be reweighted in case of approved missed tests.

**Missed tests will not be eligible for 'curve' used for the test, if any.**

**Case report (In group of 3 to 5; carrying 20%) – Avenue**

Students will form group of 3 to 5 to work on a case. Groups will be formed within your cohort and the group constituents are to be reported to the TA by 23<sup>rd</sup> September.

Each group will be randomly assigned a case from a pool of cases. Once assigned, each group will 'buy' the assigned case from HBR (cost ranging between \$5 - \$8).

The details on case report requirements will be shared during class. The report must be to the point and concise: fifteen double-spaced typed pages using a minimum font size of 11, added with at most *five* one-page exhibits, etc. You may use font size 10 for the exhibits.

Case report is due on 18<sup>th</sup> December at 11:59 pm. One group will submit their report once. It must be submitted to Dropbox on the course website on Avenue. Late submission will lose 10% for delay of incremental 6 hours (delay of 1 minute to 6 hours – lose 10%; delay of 6 hours 1 minute to 12 hours – lose 20%, so on).

*The group members are responsible for making sure smooth functioning of the group. The instructor and/or the TA will not intervene in group activities for any reason.*

---

## **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. **Make sure to add 'COM 3FK3' in the subject line of email correspondence with the TA and the instructor.** Emails regarding course issues should NOT be sent to the Area Administrative Assistants. Students will receive evaluation feedback for more than 30% of the final grade prior to Week #9 in the term.

**Students should only send emails to the TA assigned for their section which will be available on Avenue as well in the updated course outline once the term commence.**

I may solicit feedback via an informal course review with students on Week #4 to allow time for modifications in curriculum delivery. Collected student feedback will be kept confidential and used to improve student experience for the course.

---

## **REQUESTING RELIEF FOR MISSED ACADEMIC WORK (MSAF)**

---

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/>

Students may request relief for missed work in two ways using the McMaster Student Absence Form (MSAF), Type A and Type B. **In both cases, an email notification is sent to the instructor (or designate), students must follow-up with the instructor promptly after the absence (by email) for the relief to be provided, and while instructors are expected to provide relief, instructors determine the relief that is appropriate for the work and the course.**

Type A MSAF is used directly by students through the Mosaic reporting tool for assignments worth <25% and for absences lasting 3 days or fewer. **The Type A pathway can only be used once**, whether for a first request or subsequent to another Type B request. **No documentation is required.**

Type B MSAF requires that the student meet with an academic advisor to complete the MSAF request through the Mosaic reporting tool. **Type B is used for assignments worth 25% or more and for absences lasting more than three days. Type B will also be used if this is the second or subsequent reported absence.** This pathway provides for students missing a significant amount of work to benefit from advising as students are required to seek advice before a Type B MSAF is submitted. No documentation is required for the fall 2022 term and the role of the academic advisor is not to approve the request, but to advise the student on the potential impact on their academic success.

---

## ***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](https://secretariat.mcmaster.ca/university-policies-procedures-guidelines/), 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***

---

This course will 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](http://www.mcmaster.ca/academicintegrity).

---

### ***COURSES WITH AN ON-LINE ELEMENT***

---

This course uses on-line elements (e.g., e-mail, Avenue to Learn (A2L), web pages, 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, usernames 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.

---

### ***ONLINE PROCTORING***

---

This course will not use any online proctoring software for the tests. However, plagiarism checks will be made for the case reports using Turnitin.

---

### ***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 ACCOMMODATION 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](mailto: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 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 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 3FK3 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**

---

**Commerce 3FK3  
Intermediate Corporate Finance  
Fall 2022 Lecture Schedule**

Week 1 and 2	<p><b><u>Topic 1: Corporate objectives and governance</u></b>  Agency problems  stakeholder capitalism  Responsible business practice  <i>Mini-test 1: End of week 2</i></p>
Week 3 and 4	<p><b><u>Topic 2: Best practices in capital budgeting</u></b>  Project analysis  Ensuring positive NPV  <i>Mini-test 2: End of week 4</i></p>
Week 5	<b>Midterm 1</b>
Week 6 and 7	<p><b><u>Topic 3: Financing decisions</u></b>  Sources of corporate financing  Efficient markets and behavioral finance  <i>Mini-test 3: End of week 7</i></p>
Week 8 and 9	<p><b><u>Topic 4: Payout policy and capital structure</u></b>  Debt and payout policy  Financing and valuation  <i>Mini-test 4: End of week 9</i></p>
Week 10	<b>Midterm 2</b>
Week 11 and 12	<p><b><u>Topic 5: Options</u></b>  Valuing options  Identifying real options  <i>Mini-test 5: End of week 12</i></p>

*\* This is a tentative schedule. If the subject matter designated for a week is not completed during scheduled weekly lecture, the remainder will be covered in the following week.*