

**Commerce 3FK3 C02
Intermediate Corporate Finance
Fall 2023 Course Outline**

**Finance & Business Economics Area
DeGroot School of Business
McMaster University**

INSTRUCTOR AND CONTACT INFORMATION

Sudipto Sarkar (Instructor)
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Office Hours: **TBA**
Tel: (905) 525-9140 x23959
Class Times:
Tue 11:30–12:20 & Thu 10:30–
12:20

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COURSE ELEMENTS

Credit Value:	3	Leadership:	Yes	IT skills:	No	Global view:	Yes
A2L:	Yes	Ethics:	No	Numeracy:	Yes	Written skills:	No
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 will provide an overview of the theory, methods and concerns of Corporate Finance. The course will examine the important issues in corporate finance (capital budgeting, capital structure, dividend policy, interaction of investment and financing decisions) from the perspective of the financial manager. Although lecture-based, the course will also use a number of cases to illustrate the theory.

Prerequisite(s): [COMMERCE 2FB3](#) (or [3FA3](#)) or [IBH 3AC3](#) and registration in level III or above in any Bachelor of Commerce or Engineering and Management program or relevant minor.

COURSE LEARNING GOALS AND OUTCOMES

In this course, students will hopefully learn the various aspect of corporate finance, what are the critical factors to be considered when making managerial decisions, and how to analyze various decisions and choices in order to maximize long-term corporate value. They should be comfortable analyzing various agency issues between different stakeholders and apply basic financial tools to evaluate the effects of decisions on shareholders and bondholders.

This is an advanced corporate finance course. It requires familiarity with number crunching and a solid understanding of the concepts of introductory finance, COMMERCE 2FB3 or 3FA3 or equivalent. Although lecture-based, the course will also use mini-case problems to illustrate the theory. Class participation is strongly encouraged.

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

- Identify various financial issues in business management and the function of financial markets in dealing with these issues;
- Identify and solve financial problems related to business decisions in a realistic context; and
- Develop skills found in competent financial managers.

REQUIRED MATERIALS AND TEXTS

Required: *Principles of Corporate Finance*, 14th edition, by Brealey, Myers, Allen & Edmans (BMAE), McGraw Hill. Available at bookstore.

In addition, there will be case studies, the details of which will be communicated in due course. Further reading materials may be suggested by the instructor during the lectures. Slides and other teaching materials can be downloaded from Avenue to Learn.

COURSE EVALUATION

All work will be evaluated on an individual basis except for the case reports where group work is expected. For the case reports and presentations, all group members will receive the same grade. There will be four tests and a case report and presentation. All dates are specified in this course outline. The final grade will be calculated with the following weights:

- Test 1: 22%
- Test 2: 22%
- Test 3: 22%
- Test 4: 22%
- Case report and presentation: 12%
- Total: 100%

NOTE:

1. Only the use of a McMaster standard calculator (Casio FX-991) is allowed during examinations in this course.
2. For the tests, you will be allowed to bring one page (single side) of *formulas*.
3. For the case study, the students will work in groups (maximum group size to be announced; will depend on class size). Each group will submit a report and present their recommendations on the allotted case. The case report will be 4-5 pages in length (plus exhibits) and should contain recommendations and supporting arguments. There are questions in the courseware to guide you when writing the report. Any doubts/questions/uncertainties regarding the case will ideally be addressed by the group members themselves. Where necessary, make reasonable assumptions based on information given in the case. Please do not use information that would not have been available to the decision maker(s).

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.

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.degrootemcmaster.ca/forms-and-resources/missed-course-work-policy/>

COURSE MODIFICATION

From time to time there may be a need to remove/add topics or to change the schedule or the delivery format. If these are necessary, you will be given as much advance notice as possible.

GENERATIVE AI

Students are not permitted to use generative AI in this course. In alignment with [McMaster academic integrity policy](#), it “shall be an offence knowingly to ... submit academic work for assessment that was purchased or acquired from another source”. This includes work created by generative AI tools. Also state in the policy is the following, “Contract Cheating is the act of “outsourcing of student work to third parties” (Lancaster & Clarke, 2016, p. 639) with or without payment.” Using Generative AI tools is a form of contract cheating. Charges of academic dishonesty will be brought forward to the Office of Academic Integrity.

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](#).

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., Avenue to Learn, 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, 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.

ONLINE PROCTORING

Some courses may use online proctoring software for tests and exams. This software may require students to turn on their video camera, present identification, monitor and record their computer activities, and/or lock/restrict their browser or other applications/software during tests or exams. This software may be required to be installed before the test/exam begins.

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 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, Avenue to Learn 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

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WEEK	DATE	ASSIGNMENT
1	Sept. 5 (Tue) and 7 (Thu)	Introduction, Corporate Governance and Objective; Chapters 1, 19, 20 (BMAE)
2	Sept. 12 (Tue) and 14 (Thu)	Introduction, Corporate Governance and Objective (continued); Chapters 1, 19, 20 (BMAE)
3	Sept. 19 (Tue) and 21 (Thu)	Capital Budgeting; Chapters 5, 6, 10 (BMAE)
4	Sept. 26 (Tue) and 28 (Thu)	Capital Budgeting (continued); Chapters 5, 6, 10 (BMAE)
5	Oct. 3 (Tue) and 5 (Thu)	Test 1 Debt Financing and Capital Structure; Chapters 17, 18, 24, 25 (BMAE)
6	Oct. 10 (Tue) and 12 (Thu)	No Class (mid-term recess)
7	Oct. 17 (Tue) and 19 (Thu)	Debt Financing and Capital Structure (continued); Chapters 17, 18, 24, 25 (BMAE)
8	Oct. 24 (Tue) and 26 (Thu)	Test 2 Market Efficiency; Chapter 12 (BMAE)
9	Oct. 31 (Tue) and Nov. 2 (Thu)	Security Issuance; Chapter 14 (BMAE)
10	Nov. 7 (Tue) and 9 (Thu)	Payout Policy; Chapter 15 (BMAE)
11	Nov. 14 (Tue) and 16 (Thu)	Test 3 Financial Analysis; Chapter 29 (BMAE)

12	Nov. 21 (Tue) and 23 (Thu)	Working Capital Management; Chapter 31 (BMAE)
13	Nov. 28 (Tue)	Test 4
14	Nov. 30 (Thu) and Dec. 5 (Tue)	Case Presentations