

**Commerce 4FA3  
Applied Corporate Finance  
Winter 2024 Course Outline**

**Finance  
DeGroote School of Business  
McMaster University**

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***INSTRUCTOR AND CONTACT INFORMATION***

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**Fri 1130 – 1420 BSB 117  
Alicia Damley, CFA, CPA, CA, MBA  
Instructor  
[damleya@mcmaster.ca](mailto:damleya@mcmaster.ca)  
Office Hours: after class or by appointment**

**Eric Wilson  
TA  
[wilsoe40@mcmaster.ca](mailto:wilsoe40@mcmaster.ca)  
Office: TBA  
Office Hours: TBA**

**Course website:** Avenue 2 Learn

*We are here to help you succeed!*

Both our course TA and I are here to help you navigate this course successfully!

Outside of class, it is easiest to connect via email. We can address a question quickly via email or setup a time to speak directly. I endeavor to respond to emails within 48 hours. For our mutual benefit and protection, please send all emails from your Mac id. If I have not responded to your inquiry within 48 hours, please re-send it in case it has been lost between our in-boxes or I have missed it!

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***COURSE ELEMENTS***

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Credit Value:	3	Leadership:	Yes	IT skills:	Yes	Global view:	Yes
A2L:	Yes	Ethics:	No	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

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***COURSE INFORMATION***

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Lectures: 3 hrs x 1x/week  
Course Delivery Mode: In-person

#### 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 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.

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#### ***IMPORTANT LINKS***

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- [Mosaic](#)
- [Avenue to Learn](#)
- [Student Accessibility Services - Accommodations](#)
- [McMaster University Library](#)

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#### ***COURSE LEARNING OUTCOMES***

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Upon successful 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;
- Receive 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.

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### ***REQUIRED MATERIALS AND TEXTS***

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Damodaran, Aswath, Corporate Finance: Theory and Practice, 2001, Wiley, 2nd edition.  
Purchase a copy at the bookstore.

The case pack can be purchased at:  
[insert Campus Bookstore link]

Articles and other materials passed out in class.

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### ***CLASS FORMAT***

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This is an in-person 3-hour course. The three hours will consist of lectures, related discussion, and consideration of applicable market examples of the concepts covered. A short break at a convenient point in the discussion will be taken to meet personal needs.

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### ***COURSE EVALUATION***

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Learning in this course results primarily from in-class discussion and participation of comprehensive business cases as well as out-of-class analysis. The balance of the learning results from the lectures on strategic concepts, from related readings, and from researching your presentations, cases, assignments, simulation decisions and projects. Work will be evaluated on an individual and group basis as shown below. For group work, all group members will share the same grade. Your final grade will be calculated as follows:

#### **Components and Weights**

<b>Participation</b>		<b>20%</b>
<b>Case Presentation &amp; Report</b>	See below for details	<b>35%</b>
<b>In-class Exam</b>	Details to be provided in class	<b>45%</b>
<b>Total</b>		<b>100%</b>

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)

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## ***COURSE DELIVERABLES***

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Students are strongly encouraged to explore the data and trading related resources available in-person and/or virtually in the DSB's Allen H. Gould Trading Floor. <https://trading.degroote.mcmaster.ca/qtf/>

### **Participation**

Given the case format, your preparation and participation are essential to the course learning. Lectures will begin on time, so please ensure you are on time to minimize lecture disruption.

Name cards will be 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 all classes.

A grade for participation is allocated for thoughtful, informed comments and ideas, contributing to the vibrancy of the class discussion. Preparedness is important as you may be called upon to contribute without notice. The Instructor's assessment of the *quality* and *consistency* of a student's contribution to classroom discussion will determine the grade allocation. A passive presence or trivial commentary will negatively affect participation. Discussion is not personally directed, focusing instead on the merits of the case facts and concepts under discussion.

**All** participation must adhere to the intent and spirit of McMaster guidelines for acceptable campus and classroom behavior including courtesy and respect for fellow classmates.

### **Case Report & Presentation**

This report and in-class presentation will be completed in groups of up to 5 students (to be finalized based on course enrollment.) Each group will select one of the cases to be covered during the class. Case allocation will be made on a first-come, first-served basis. Guiding questions may be provided to help your preparation and thoughts about the case. However, these questions should not be considered as the sole basis for analyzing the case.

The duration of the in-class presentation is 20 minutes + 10 minutes for questions. The case report should be no longer than 8 pages, excluding the cover page and bibliography. A document providing guidance on case analysis is available on Avenue.

### ***In-class Exam***

The in-class exam will be based on material covered in the classroom. An 8.5 x 11 inch sheet covered with any content will be allowed. Please do not memorize equations – they will be provided as part of the exam paper.

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## ***LATE ASSIGNMENTS***

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Due dates are clearly indicated in the course schedule. Please plan accordingly. Please also review the University's policy on requesting relief for missed academic work below.

Otherwise, a late assignment will attract a 15% penalty for each 24 hours after the due date. Work handed-in three (3) or more days late without a pre-determined arrangement will be awarded a mark of zero.

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### ***COMMUNICATION AND FEEDBACK***

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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.

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### ***REQUESTING RELIEF FOR MISSED ACADEMIC WORK***

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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/>

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### ***COURSE MODIFICATION***

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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.

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### ***GENERATIVE AI***

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Some use of Generative AI is permitted for the bank project analysis. Students may find its use helpful to augment their understanding and interpretation of trend data. However, ensure that the responses generated make sense and assist your analysis!

Any use of Generative AI must be referenced and cited following citation instructions given in the syllabus. Use of generative AI outside assessment guidelines or without citation will constitute

academic dishonesty. It is the student's responsibility to be clear on the limitations for use for each assessment and to be clear on the expectations for citation and reference and to do so appropriately.

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### ***ACADEMIC INTEGRITY***

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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
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### ***AUTHENTICITY/PLAGIARISM DETECTION***

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**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](http://www.mcmaster.ca/academicintegrity).

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

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**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.

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### **ONLINE PROCTORING**

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**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.

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### **CONDUCT EXPECTATIONS**

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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.

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### **ACADEMIC ACCOMMODATION OF STUDENTS WITH DISABILITIES**

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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.

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

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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.

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### ***COPYRIGHT AND RECORDING***

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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.

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### ***EXTREME CIRCUMSTANCES***

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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.

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### ***ACKNOWLEDGEMENT OF COURSE POLICIES***

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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

### Commerce 4FA3 – Applied Corporate Finance Winter 2024 Course Schedule

WEEK	DATE	LECTURE CONTENT	CHAPTER(S)
1	Jan 12	Class Outline, Schedule, Participation, Groups <i>Financial Statement and Cash Flow Analysis</i>	2, 3, 4, 5
2	Jan 19	<i>Discount Rates; Uncertainty and Risk; Cost of Capital</i> <i>Case: AB InBev, Cost of Capital</i>	6, 7, 8
3	Jan 26	<i>Capital Budgeting; Risk Management</i> <i>Case: Indian Railways and the Move to Full Electrification - Exceeding the Global Benchmark</i>	9, 10, 11, 12, 13, 14, 15
4	Feb 2	<i>Capital Structure</i> <i>Reading: Introduction to Capital Structure Analytics</i>	16, 17, 18, 19
5	Feb 9	<i>Capital Structure</i> <i>Case: Sembcorp Marine – Proposal to Restructure</i>	20
6	Feb 16	<i>Capital Structure</i> <i>Case: Garmin – Finding an Optimal Capital Structure</i>	
7	Feb 23	<b>Winter Recess – No lecture</b>	
8	Mar 1	<i>Valuation and Firm Value</i> <i>Case: The Shire/Baxalta Acquisition</i>	24, 25
9	Mar 8	The Dividend Decision <i>Reading: Dividend Policy – Four Decisions</i> <i>Case: AB InBev's Dividend Decision</i>	21, 22, 23
10	Mar 15	Options in Corporate Finance	27

		<i>Reading: Financial Options and their Application to Corporate Finance</i> <i>Case: Input Capital – Customized Financing for Canola Producers</i>	
11	Mar 22	Mergers & Acquisition – Competing/multiple bids  <i>Case: Louis Vuitton SE's Bid for Tiffany &amp; Co</i> <i>(or Competing Bids for Andarko Petroleum Corp)</i>	26
12	Mar 29	Corporate Finance for Private Firms  <i>Case: Hertz in Bankruptcy – A Wild Ride in Pandemic Times</i>	
13	Apr 5	<b>Exam – In-class</b> Details to be announced	

Details to purchase cases will be provided during the first lecture.