

**Commerce 2FB3
Managerial Finance
Summer 2024 Course Outline**

**Finance Area
DeGroote School of Business
McMaster University**

INSTRUCTOR, TEACHING ASSISTANTS, AND CONTACT INFORMATION

June 24, 2024 – August 7, 2024
Mondays and Wednesdays, 2:30 – 5:30 p.m.
In-person Classes on the Main Campus

Instructor

Clarence C.Y. Kwan, Professor of Finance
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Teaching Assistants (TAs)

TA Coordinator: Ruohan Jin, Finance Ph.D. Candidate
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Sima Fallah Tafti, Finance Ph.D. Candidate
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Office Hours: By Appointment

For email communications, please always use McMaster's regular email system, which is outside the Avenue-to-Learn (A2L) platform. The instructor and the teaching assistants do not monitor A2L for incoming emails.

Please always use McMaster email accounts (***@mcmaster.ca), with **Commerce 2FB3** (or simply **2FB3**) being the subject heading. Please send your email to the TA Coordinator (Jinr18@mcmaster.ca). She and the other three members of the TA team will take turns responding to individual emails from students. Every effort will be made to respond to each email promptly. If an urgent response is needed, please also copy the same email message to the instructor (kwanc@mcmaster.ca).

COURSE OBJECTIVE

The main objective of this course is to introduce students to managerial finance, by building on course materials in Commerce 2FA3, *Introduction to Finance*. This course is intended to equip students with a basic understanding of how various financial decisions are made in corporate settings. The covered topics require prior knowledge of time value concepts, bond valuation, stock valuation, asset pricing, and capital budgeting, as covered in Commerce 2FA3.

This course considers a variety of topics pertaining to corporate finance. They include long-term sources of funds, the cost of capital, capital structure, dividend policy, share repurchase decisions, leasing, short-term financing, options, rights offering, warrants, convertibles, and some derivatives, mergers, and corporate restructuring.

The topic of dividend policy is closely related to stock valuation in Commerce 2FA3. The topic of leasing builds on materials in capital budgeting in Commerce 2FA3. The topic of options is covered, in view of the profound impacts of the Black-Scholes Option Pricing Model on the finance profession and on the investment world.

COURSE ELEMENTS

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

LEARNING OUTCOMES

Upon successful completion of this course, students will have equipped themselves with fundamental knowledge in various areas of corporate finance. As this course and Commerce 2FA3 have their emphasis on both financial concepts and real-world applications, they will lay a solid foundation for more advanced finance courses.

REQUIRED READING MATERIALS

Lecture Notes:

C.C.Y. Kwan, *Lecture Notes for Commerce 2FA3 and Commerce 2FB3, Spring/Summer 2024* (hereafter, *Lecture Notes*); Password access to the corresponding file, as posted on the course websites on A2L.

Selected Chapters of the Following Textbook:

S.A. Ross, R.W. Westerfield, B.D. Jordan, J.A. Pandes, and T.A. Holloway, *Fundamentals of Corporate Finance, Eleventh Canadian Edition*, 2022, McGraw Hill (hereafter, *Textbook*); Available from Campus Store, McMaster University.

EVALUATION

There are two components for assessing student performance: the midterm exam (**M**) and the cumulative final exam (**F**). The range of grades in each exam is from 0 to 100. If a student performs better in the midterm exam than in the final exam, the student's course grade will be $M/2 + F/2$. Otherwise, it will be $M/3 + 2F/3$ instead. McMaster's standard conversion scheme is followed for converting numerical grades to letter grades.

Calculators for Exams: Only McMaster's standard calculators (Casio fx-991 MS or Casio fx-991 MS Plus) are allowed.

COURSE SCHEDULE

1. Week 1, Monday, June 24 (Class #1): Lecture, 2:30 – 5:30 p.m.

Lecture Notes, Chapter 8 (Long-Term Sources of Funds and the Cost of Capital)
Textbook, Chapter 14 (Cost of Capital); Chapter 15 (Raising Capital)

2. Week 1, Wednesday, June 26 (Class #2): Lecture, 2:30 – 4:30 p.m.; Tutorial, 4:30 – 5:30 p.m.

Lecture Notes, Chapter 8; Chapter 9 (Capital Structure)
Textbook, Chapter 14; Chapter 15; Chapter 16 (Financial Leverage and Capital Structure Policy)

3. Week 2, Monday, July 1 (Holiday)

4. Week 2, Wednesday, July 3 (Class #3): Lecture, 2:30 – 4:30 p.m.; Tutorial, 4:30 – 5:30 p.m.

Lecture Notes, Chapter 9
Textbook, Chapter 16

5. Week 3, Monday, July 8 (Class #4): Lecture, 2:30 – 4:30 p.m.; Tutorial, 4:30 – 5:30 p.m.

Lecture Notes, Chapter 10 (Dividend Policy and Share Repurchase Decisions)
Textbook, Chapter 16; Chapter 17 (Dividends and Dividend Policy)

6. Week 3, Wednesday, July 10 (Class #5): Lecture, 2:30 – 4:30 p.m.; Tutorial, 4:30 – 5:30 p.m.

Lecture Notes, Chapter 10; Chapter 11 (Leasing)
Textbook, Chapter 17; Chapter 22 (Leasing)

Midterm Exam Review

7. Week 4, Monday, July 15 (Midterm Exam)
8. Week 4, Wednesday, July 17 (Class #6): Lecture, 2:30 – 4:30 p.m.; Tutorial, 4:30 – 5:30 p.m.
Lecture Notes, Chapter 12 (Short-Term Financing); Chapter 13 (Options)
Textbook, Chapter 18 (Short-Term Finance and Planning); Chapter 25 (Options and Corporate Securities)
9. Week 5, Monday, July 22 (Class #7): Lecture, 2:30 – 4:30 p.m.; Tutorial, 4:30 – 5:30 p.m.
Lecture Notes, Chapter 13
Textbook, Chapter 25
10. Week 5, Wednesday, July 24 (Class #8): Lecture, 2:30 – 4:30 p.m.; Tutorial, 4:30 – 5:30 p.m.
Lecture Notes, Chapter 13; Chapter 14 (Rights, Warrants, Convertibles, and Some Derivatives)
Textbook, Chapter 25; Chapter 15; Chapter 24 (Enterprise Risk Management)
11. Week 6, Monday, July 29 (Class #9): Lecture, 2:30 – 4:30 p.m.; Tutorial, 4:30 – 5:30 p.m.
Lecture Notes, Chapter 14; Chapter 15 (Merger and Corporate Restructuring)
Textbook, Chapter 25; Chapter 24; Chapter 23 (Mergers and Acquisitions)
12. Week 6, Wednesday, July 31 (Class #10): Lecture, 2:30 – 4:30 p.m.; Tutorial, 4:30 – 5:30 p.m.
Lecture Notes, Chapter 15
Textbook, Chapter 23
Final Exam Review
13. Week 7, Monday, August 5 (Holiday)
14. Week 7, Wednesday, August 7 (Final Exam)

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/>

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.

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.
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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.

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 2FB3 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.