

**IBH 3AC3  
Corporate Finance  
Fall 2024 Course Outline**

**Accounting and Financial Management Services Area  
DeGroote School of Business  
McMaster University**

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***COURSE OBJECTIVE***

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This course examines various aspects of the financial management of the firm including the sources and methods of financing, capital structure, dividend policy, leasing, mergers and acquisitions, working capital management, effects of taxation on financial decisions and international aspects of finance.

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***INSTRUCTOR AND COURSE INFORMATION***

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**Instructor:** Jason Tome  
**Email:** tomej@mcmaster.ca  
**Lectures:** Thursdays from 11:30 – 2:20  
**Tutorials:** Tuesdays from 9:30 – 10:20  
**Office Hours:** By Appointment

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***REQUIRED MATERIALS AND TEXTS***

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**Fundamentals of Corporate Finance, 11th Canadian Edition;** *By S.A. Ross, R.W. Westerfield, B.D. Jordan, G. Roberts, J.A. Pandes, T. Holloway;* McGraw-Hill Ryerson, 2022.

**Texas Instruments BA II Plus Financial Calculator** is recommended for this course. However, any calculator that performs time value of money and other financial functions is acceptable.

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***COURSE ELEMENTS***

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

**LEARNING OUTCOMES**

This course is intended to provide students with a basic literacy in the problems and methods of modern business finance. Upon completion of this course, students will be able to complete the following key tasks:

- Analyze a set of combination opportunities, identifying what creates shareholder value.
- Identify sources of capital to finance projects and learn how to manage the sources.
- Understand the methods used to improve short-term financial management of a company.
- Structure financial claims on the firm between debt and equity securities so as to maximize shareholder value;
- Understand the effects of taxation on financial decisions; and
- Gain a basic understanding of derivatives and their risk-management applications

**COURSE EVALUATION**

| <i>Type</i>      | <i>Description</i>            | <i>Due Date</i> | <i>Weight</i> |
|------------------|-------------------------------|-----------------|---------------|
| Test             | Term Test 1                   | 10/03/2024      | 20%           |
| Test             | Term Test 2                   | 11/07/2024      | 20%           |
| Group Assignment | Video Project                 | 12/05/2024      | 20%           |
| Test             | Final Exam During Exam Period | TBA             | 40%           |

**Group Assignment – Video Project (20%)**

In addition to the Term Tests and Final Exam, students will be required to do a video project. The details for the video project will be outlined on A2L. Broadly, the video is a group project in groups of 3-4 students. Students will produce a 5-6 minute video about the topic and a one-page "executive summary". More instructions will be given during the semester.

**Term Tests (40%) and Final Exam (40%)**

The Term Tests and Final Exam will be a combination of comprehensive questions and multiple choice questions. More details on the format, structure, and content coverage will be provided on A2L well before the Term Tests and the Final Exam. The Final Exam will be cumulative.

Please Note, an MSAF will be required for a missed midterm. The weight of the midterm exam of a student who filed a successful MSAF will be automatically reallocated to that of the final exam. A student missing the final exam is subject to the policies and procedures outlined in the undergraduate Academic Calendar for missed final exams.

Missed tests/exams will receive a grade of zero unless the student has submitted and been approved for a Notification of Absence or MSAF. Late assignments will be penalized 25% for each calendar day they are late.

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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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### **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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### **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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### **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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### **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.degroot.mcmaster.ca/forms-and-resources/missed-course-work-policy/>

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### **GENERATIVE AI**

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Students may use generative AI throughout this course in whatever way enhances their learning; no special documentation or citation is required.

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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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### ***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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### ***ACKNOWLEDGMENT OF COURSE POLICIES***

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Your enrolment in Commerce IBH 3AC3 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**

| WEEK | DATE                    | TOPIC   |
|------|-------------------------|---|
| 1    | Thursday September 5th  | <b>Lecture 1:</b> Introduction to Course & Cost of Capital<br><b>Suggested Readings:</b> Chapter 14       |
| 2    | Tuesday September 10th  | <b>Tutorial 1:</b> Cost of Capital Problems   |
|      | Thursday September 12th | <b>Lecture 2:</b> Free Cash Flows and Valuation<br><b>Suggested Readings:</b> Chapters 2 and 14A          |
| 3    | Tuesday September 17th  | <b>Tutorial 2:</b> Free Cash Flows and Valuation Problems   |
|      | Thursday September 19th | <b>Lecture 3:</b> Financial Leverage and Capital Structure<br><b>Suggested Readings:</b> Chapter 16       |
| 4    | Tuesday September 24th  | <b>Tutorial 3:</b> Capital Structure Problems   |
|      | Thursday September 26th | <b>Lecture 4:</b> Financial Leverage and Capital Structure cont.<br><b>Suggested Readings:</b> Chapter 16 |
| 5    | Tuesday October 1st     | <b>Tutorial 4:</b> Capital Structure Problems cont.   |
|      | Thursday October 3rd    | <b>Term Test 1</b> (Covers Lectures 1 – 4)  |
| 6    | Tuesday October 8th     | No Tutorial   |
|      | Thursday October 10th   | <b>Lecture 5:</b> Dividend Policy<br><b>Suggested Readings:</b> Chapter 17                                |
| 7    | Thursday October 17th   | <b>READING WEEK</b> (No Lectures or Tutorials)  |
| 8    | Tuesday October 22nd    | <b>Tutorial 5:</b> Dividend Policy Problems   |
|      | Thursday October 24th   | <b>Lecture 6:</b> Mergers & Acquisitions<br><b>Suggested Readings:</b> Chapter 23                         |



| WEEK | DATE                   | TOPIC   |
|------|------------------------|---|
| 9    | Tuesday October 29th   | <b>Tutorial 6:</b> Mergers & Acquisitions Problems  |
|      | Thursday October 31st  | <b>Lecture 7:</b> Derivatives (Forwards, Futures, and SWAP's)<br><b>Suggested Readings:</b> Chapter 24            |
| 10   | Tuesday November 5th   | <b>Tutorial 7:</b> Forwards, Futures, and SWAP's Problems   |
|      | Thursday November 7th  | <b>Term Test 2</b> (Covers Lectures 5 – 7)  |
| 11   | Tuesday November 12th  | No Tutorial   |
|      | Thursday November 14th | <b>Lecture 8:</b> Derivatives (Options)<br><b>Suggested Readings:</b> Chapter 25                                  |
| 12   | Tuesday November 19th  | <b>Tutorial 8:</b> Option Problems  |
|      | Thursday November 21st | <b>Lecture 9:</b> Derivatives (Options) cont.<br><b>Suggested Readings:</b> Chapter 25                            |
| 13   | Tuesday November 26th  | <b>Tutorial 9:</b> Option Problems cont.  |
|      | Thursday November 28th | <b>Lecture 10:</b> International Corporate Finance<br><b>Suggested Readings:</b> Chapter 21                       |
| 14   | Tuesday December 3rd   | <b>Tutorial 10:</b> International Corporate Finance Problems  |
|      | Thursday December 5th  | <b>Lecture 11:</b> Leasing<br><b>Suggested Readings:</b> Chapter 22<br><b>Assignment Due:</b> Group Video Project |