

**Commerce 4FA3
Applied Corporate Finance
Winter 2025 Course Outline**

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

COURSE OBJECTIVE

1. To recognize, understand, analyze, and craft corporate strategies aimed at the creation of shareholder wealth.
2. To explore fully the strategic assumptions, the theoretical underpinnings, and the appropriate use of valuation techniques and principles.

INSTRUCTOR AND CONTACT INFORMATION

Section 1: Thursday 11:30 – 14:20

Dr. Anna N. Danielova

Instructor

adaniel@mcmaster.ca

Office: DSB 322

Office Hours: By appointment

Ruohan Jin

Teaching Assistant

jnr18@mcmaster.ca

Office: DSB

Office Hours: TBA

Course Website: On Avenue to Learn

COURSE ELEMENTS

Credit Value:	3	Leadership:	Yes	IT skills:	Yes	Global view:	Yes
Avenue:	Yes	Ethics:	Yes	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

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 global 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.

LEARNING OUTCOMES

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

1. Assess the intrinsic value of the company;
2. Be able to allocate funds to the most attractive investment opportunities;
3. Manage the firm's cash-flow to ensure financial solvency;
4. Structure the financial claims on the firm between debt and equity securities such that it creates shareholder value;
5. Receive a knowledge of a firm's optimal cash payout policy;
6. 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;

IMPORTANT LINKS

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

REQUIRED COURSE MATERIALS AND READINGS

Avenue to Learn registration for course content, readings, and assignments

- <http://avenue.mcmaster.ca/>

Damodaran, Aswath, Corporate Finance: Theory and Practice, 2001, Wiley, 2nd edition.

- purchase a copy at the bookstore

Cases covered in class

- purchase a digital case pack

Articles and other materials passed out in class

EVALUATION

All work will be evaluated on an individual basis except in certain cases where group work is expected. In these cases group members will share the same grade adjusted by peer evaluation if necessary. Your final grade will be calculated as follows:

GRADE COMPONENTS AND WEIGHTS	
Project (group)	35%
Project Presentation (group)	5%
Midterm (individual)	40%
Participation (individual)	20% ¹
Total	100%

Conversion

At the end of the course your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme.

LETTER GRADE	PERCENT	LETTER GRADE	PERCENT
A+	90-100	C+	67-69
A	85-89	C	63-66
A-	80-84	C-	60-62
B+	77-79	D+	57-59
B	73-76	D	53-56
B-	70-72	D-	50-52
		F	0-49

Participation

Name cards and assign seating are 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 every class.

Expectations

Since this course makes extensive use of classes and class discussion, it is imperative that the class, both as individuals and collectively, prepare for each class and participate in the discussion. For this reason, my evaluation of your performance weights effective classroom participation. Perceptive questions are as effective as solid answers. Students who are absent or passive during discussions will not score well on this dimension. Similarly, students who develop a pattern of dominating class discussion with trivial comments will see their

¹ Any student who demonstrates disrespectful to others and/or disruptive conduct in class will receive automatic zero for participation component.

participation scores suffer. Since I judge your participation score from the point of view of your immediate supervisor, consider your score as your three-month performance review. I also reserve the right to cold-call on anyone at any time.

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.

Instructors are required to provide evaluation feedback for at least 10% of the final grade to students prior to Week #8 in the term.

Instructors may conduct an informal course review with students by Week #4 to allow time for modifications in curriculum delivery.

Students who wish to have a course component re-evaluated must complete the following form:

http://www.mcmaster.ca/policy/Students-AcademicStudies/Form_A.pdf

In order for the component to be re-read:

- the component must be worth 10% or more of the final grade in the course
- students pay a fee of \$50 in Gilmour Hall #209 and the receipt is then brought to Student Experience - Academic Office (formerly the APO) in DSB 104
- the Area Chair will seek out an independent adjudicator to re-grade the component
- an adjustment to the grade for the component will be made if a grade change of three points or greater on the 12 point scale (equivalent to 10 marks out of 100) has been suggested by the adjudicator as assigned by the Area Chair
- if a grade change is made, the student fee will be refunded

LOGISTICS

Everything regarding the course (including syllabus, lecture notes, project, announcements, etc.) will be posted on Avenue to Learn. It is your responsibility to follow up the Avenue page to be current with the class. Lecture notes, if available, should be downloaded before each lecture if available. Have them ready for every class.

Calculators

Calculators are encouraged for exams, and for all practical purposes, required. Calculators must be silent. Prior to exams or quizzes, calculator memories will be subject to inspection if they are programmable. Notebook PCs are not allowed during exams. The use of a McMaster standard calculator is suggested.

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

<http://www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf>

Team Project

Students will assemble 5-person teams to complete a Project. The final report, due April 3, 2025, is a comprehensive analysis of company corporate strategies: you will be asked to comment on the company's capital structure, dividend policy, appropriate cost of capital, and their effect on value. In addition, you should estimate the intrinsic value of the company's stock. The overall project will be evaluated in light of the completeness of the analysis you choose to do, the techniques you choose to employ, and the impact of the results you choose to present in your written report. Begin each report with a summary memorandum and make effective use of tables and graphs. Extensive footnoting and compilations of long bibliographic lists are not encouraged. I will judge your work from the point of view of your senior financial officer. More detailed project information will be provided in class.

Exam

You are responsible for anything covered in class (regardless of whether or not you attended). The midterm exam is open book and notes. I do not want to test your memory, but your knowledge.

Punctuality

Classes begin on time. Latecomers disrupt the presentation of lecture materials.

ACADEMIC INTEGRITY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. The 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. a 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:

1. Plagiarism, e.g. the submission of work that is not one's own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

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/>

* Non-Commerce students must follow the Missed Course Work protocols outlined by their home faculty and Program Office.

ACADEMIC ACCOMMODATION OF STUDENT 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.

POTENTIAL MODIFICATIONS TO THE COURSE

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

GENERATIVE AI

USE PROHIBITED

Students are not permitted to use generative AI in this course. In alignment with McMaster academic integrity policy, it “shall be an offense knowingly to ... submit academic work for assessment that was purchased or acquired from another source”. This includes work created by generative AI tools. Also stated 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.

COURSE SCHEDULE

Commerce 4FA3 Applied Corporate Finance Winter 2025 Course Schedule²

Week	Date	Topic	Assignments	Reading List
1	1/9	Introduction; Financial Statement and CF Analysis		Ch 2, 3, 4, 5
2	1/16	Discount Rates; Uncertainty and Risk Cost of Capital	Case: <i>Dell Computer(I)</i>	Ch 6, 7, 8, 16
3	1/23	<i>Project description</i> Capital Budgeting Risk Management	Case: <i>Telus (I)</i>	Ch 9, 10, 11, 12, 13, 14, 15
4	1/30	Capital Structure	Case: <i>Pepsico (I)</i>	Ch 17, 18, 19
5	2/6	<i>Company requests due</i> Capital Structure	Case: <i>Rocky Mountain (I)</i>	Ch 20
6	2/13	Capital Structure; Valuation and Firm Value	Case: <i>Stelco Inc.: Bankruptcy and Restructuring (I)</i>	
7	2/20-2/26	Mid-term recess		
8	2/27	Midterm		
9	3/6	Valuation and Firm Value		Ch 24, 25
10	3/13	The Dividend Decision	Case: <i>Roku, Inc.: Initial Public Offering (D)</i>	Ch 21, 22, 23
11	3/20	Options in Corporate Finance	Case: <i>Autozone Inc. (D)</i>	Ch 27; Handouts to be distributed
12	3/27	Corporate Finance for Private Firms	Case " <i>Arundel Partners</i> " (H)	
13	4/3	Project is due Project Presentations		

² Every effort will be made to manage the course as stated here. However, adjustments may be necessary for various reasons at the discretion of the professor. Any alterations will be announced prior to being implemented.