

York University
School of Administrative Studies, LA&PS

AP/ADMS 4540
Financial Management
Fall 2019 Sections B (Wed 4:10pm) & D (Wed 7:10pm)

Course director:

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Office Hours at Atk 211:

Wednesdays 3-4 pm from Sep 4 to Nov 27
(unless cancelled, e.g., Oct 16 & possibly
other dates)
Or by appointment through email

Course Description:

The objective of the course is to undertake a rigorous study of the theory and empirical evidence relevant to financial management. Building upon your introductory knowledge from ADMS 3530, you will learn elements of corporate finance not covered in ADMS 3530 such as determinants of interest rates, bond duration and refunding, risk and return, cost of capital, capital budgeting, capital structure, dividend policy and options and futures for hedging risk. Be forewarned that most students find this course both **quantitative and demanding**.

Prerequisites:

Credit in ADMS 3530 and ADMS 3330 and their prerequisites. Given that financial management requires one to understand and deal effectively with risk and uncertainty, a good grounding in statistics is essential, and familiarity with statistics should extend through regression, covariance and correlation. In addition, you should have a good working knowledge of common software (e.g., MS Excel, Minitab) useful for statistics.

Required Work and Grading:

Course requirements include class attendance (including active participation), individual assignments, exams, with the weights given as follows:

Attendance and Participation	: 10 %
Assignments (2 individual)	: 10 %
Mid-Term Exam (2 hours; Sun, Oct 20, 7:00pm-9:00pm)	: 30 %
Final Exam (2.5 hours)	: 50 %

Attendance (including active participation) is important for learning. You are expected to come to each lecture and encouraged to participate actively in class. One mark will be given for your index card, and the other nine marks will be based on attendance and more importantly on my subjective assessment of your class participation. Please do not make any assumptions here. One could receive a low mark even if one has attended every class because of failure to participate actively. One could also receive a low mark because one does not attend class regularly.

There are 2 assignments. Assignments will be published on the course website or handed out at least one week in advance of the due date. These assignments involve problem-solving and must be submitted individually, and must be *handwritten* and not photocopied nor electronically transmitted. Assignments are due as noted in the Tentative Course Calendar. Late assignments will not be accepted. If your assignment is late, you would receive a mark of zero (0). If you are unable to meet the assignment's deadline, you must contact the course director as soon as possible. Late assignments may be accepted if you have legitimate reasons, such as a completed attending physician's statement. No assignments will be accepted after the solution has been made available.

The mid-term exam is of **2 hour duration** on **Sunday, Oct 20, 7:00 PM - 9:00 PM (location TBA)**. It will comprise five (5) questions on the following topics:

1. Bond Duration (similar in class exercise, end-of-chapter 7 problems and past exam questions)
2. Bond Refunding (similar to Assignment 1 question, end-of-Appendix 7B problems and past exam questions)
3. Subsidized interest rates (ODA similar to Assignment 1 question, end-of-chapter problems and past exam questions)
4. Canadian Tradition APT (similar to past exam questions and in class exercise)
5. Risk and Return (CAPM, APT- similar with Assignment 1 question, end-of-chapter 8, 12 and 13 problems and past exams)

Questions will also include any topic covered in lectures or required reading material up to Lecture 4 **Risk and Return II** with Canadian Tradition as the last topic covered in class. The exam is NOT multiple-choice. Most parts of exam questions will involve calculations where working steps must be shown. A few parts of exam questions are conceptual where a short, one-paragraph answer which may include diagrams/graphs is required. **Formula sheet can be double sided but has to be handwritten and limited to one letter-size page.**

The final exam of **2 ½ hour duration** will be written as scheduled by the Registrar. Both the mid-term and final exams are closed book and together have the same duration as the fall term's three exam parts. Only normal writing instruments (such as pencils, pens, rulers and erasers), a calculator that includes logarithm and exponential functions and can raise a number to a power, and one 8.5"x11" or letter-size page list of *handwritten* formulas may be used to write the mid-term and final exams. You are advised to write on one side of your formula sheet for the mid-term exam, and complete the other side for the final exam, but you are allowed a double-sided formula sheet for both the midterm and final exams. ***This page must be handwritten, must not be printed nor photocopied, and must be submitted together with each exam.***

If you have a religious conflict, please inform the course director as soon as possible and not later than FOUR (4) WEEKS before each exam so that alternate arrangements can be made. In fairness to all students, no makeup exam will be given for the mid-term. If you have a valid excuse, your final exam performance relative to other students will be used to estimate your midterm exam mark. If you do not have a valid excuse, you will receive a mark of zero (0). The final exam is comprehensive (or cumulative) and covers the entire course. However, more weight will be given to the material covered after the mid-term. If you miss the final exam, you should submit a Deferred Standing Agreement (as described in the next section) to write the final

exam in the following term. **It is the policy of the Admin Studies Finance Area that instructors will NOT sign a DSA form if you miss both the midterm and final exams. Students in this situation will need to petition for a remedy appropriate to their circumstances.**

If you think an error has been made in the marking and you like the course director to look at it again, then please submit a *written* request on a *separate sheet of paper* for a review with valid reasons for the review.

Letter grades are given as per School of Administrative Studies guidelines:

The mean OR median final grade in the course will be B.

Your final letter grade will be determined *relative* to the grades of all other students.

Policy for Exam Deferrals and Other Relevant University Regulations:

NOTE: *There is no provision for rewriting an examination to improve a final grade. In fact, students who defer an examination experience a high failure rate because they start to forget what they learned during the course.*

Deferred Exams: Deferred standing may be granted to students who are unable to write their final examination at the scheduled time or to submit their outstanding course work on the last day of classes. Details can be found at <http://myacademicrecord.students.yorku.ca/deferred-standing>

Any request for deferred standing on medical grounds must include an Attending Physician's Statement form; a "Doctor's Note" will not be accepted.

DSA Form: http://www.registrar.yorku.ca/pdf/deferred_standing_agreement.pdf

Attending Physician's Statement form: <http://registrar.yorku.ca/pdf/attending-physicians-statement.pdf>

In order to apply for deferred standing, students must register at <http://apps.eso.yorku.ca/apps/adms/deferredexams.nsf>

Followed by handing in a completed DSA form and supporting documentation directly to the main office of the School of Administrative Studies (282 Atkinson) and add your ticket number to the DSA form. The DSA and supporting documentation must be submitted no later than five (5) business days from the date of the exam. These requests will be considered on their merit and decisions will be made available by logging into the above mentioned link. No individualized communication will be sent by the School to the students (no letter or e-mails).

Students with approved DSA will be able to write their deferred examination during the School's deferred examination period. No further extensions of deferred exams shall be granted. The format and covered content of the deferred examination may be different from that of the originally scheduled examination. The deferred exam may be closed book, cumulative and comprehensive and may include all subjects/topics of the textbook whether they have been covered in class or not. Any request for deferred standing on medical grounds must include an Attending Physician's Statement form; a "Doctor's Note" will not be accepted.

Academic Honesty: The Faculty of Liberal Arts and Professional Studies considers breaches of the Senate Policy on Academic Honesty to be serious matters. The Senate Policy on Academic Honesty is an affirmation and clarification for members of the University of the general obligation to maintain the highest standards of academic honesty. As a clear sense of academic honesty and responsibility is fundamental to good scholarship, the policy recognizes the general responsibility of all faculty members to foster acceptable standards of academic conduct and of the student to be mindful of and abide by such standards. Suspected breaches of academic honesty will be investigated and charges shall be laid if reasonable and probable grounds exist.

Students should review the York Academic Honesty policy for themselves at:

<http://www.yorku.ca/secretariat/policies/document.php?document=69>

Students might also wish to review the interactive on-line Tutorial for students on academic integrity, at:

<http://spark.library.yorku.ca/academic-integrity-what-is-academic-integrity/>

Grading Scheme and Feedback Policy: The grading scheme (i.e. kinds and weights of assignments, essays, exams, etc.) shall be announced, and be available in writing, within the first two weeks of class, and, under normal circumstances, graded feedback worth at least 15% of the final grade for Fall, Winter or Summer Term, and 30% for 'full year' courses offered in the Fall/Winter Term be received by students in all courses prior to the final withdrawal date from a course without receiving a grade, with the following exceptions:

Note: Under unusual and/or unforeseeable circumstances which disrupt the academic norm, instructors are expected to provide grading schemes and academic feedback in the spirit of these regulations, as soon as possible. For more information on the Grading Scheme and Feedback Policy, please visit: <http://www.yorku.ca/univsec/policies/document.php?document=86>

In-Class Tests and Exams - the 20% Rule: For all Undergraduate courses, except those which regularly meet on Friday evening or on a weekend, tests or exams worth more than 20% will not be held in the two weeks prior to the beginning of the official examination period. For further information on the 20% Rule, please visit: <http://secretariat-policies.info.yorku.ca/policies/limits-on-the-worth-of-examinations-in-the-final-classes-of-a-term-policy/>

Reappraisals: Students may, with sufficient academic grounds, request that a final grade in a course be reappraised (which may mean the review of specific pieces of tangible work). Non-academic grounds are not relevant for grade reappraisals; in such cases, students are advised to petition to their home Faculty. Students are normally expected to first contact the course director to discuss the grade received and to request that their tangible work be reviewed. Tangible work may include written, graphic, digitized, modeled, video recording or audio recording formats, but not oral work. Students need to be aware that a request for a grade reappraisal may result in the original grade being raised, lowered or confirmed. For reappraisal procedures and information, please visit the Office of the Registrar site at: <http://myacademicrecord.students.yorku.ca/grade-reappraisal-policy>

Accommodation Procedures: LA&PS students who have experienced a misfortune or who are too ill to attend the final examination in an ADMS course should not attempt to do so; they must pursue deferred standing. Other students should contact their home Faculty for information. For further information, please visit: <http://ds.info.yorku.ca/academic-support-accomodations/>

Religious Accommodation: York University is committed to respecting the religious beliefs and practices of all members of the community, and making accommodations for observances of special significance to adherents. For more information on religious accommodation, please visit:

<https://w2prod.sis.yorku.ca/Apps/WebObjects/cdm.woa/wa/regobs>

Academic Accommodation for Students with Disabilities (Senate Policy)

The nature and extent of accommodations shall be consistent with and supportive of the integrity of the curriculum and of the academic standards of programs or courses. Provided that students have given sufficient notice about their accommodation needs, instructors shall take reasonable steps to accommodate these needs in a manner consistent with the guidelines established hereunder. For more information, please visit the Counselling and Disability Services website at <http://www.yorku.ca/dshub/>

York's disabilities offices and the Registrar's Office work in partnership to support alternate exam and test accommodation services for students with disabilities at the Keele campus. For more information on alternate exams and tests please visit <http://www.yorku.ca/altexams/> Please alert the Course Director as soon as possible should you require special accommodations.

On Learning:

Except during assignments and examinations, you are encouraged to discuss class material with other students as an active form of learning. But please be aware of the regulations governing academic offences found in the Undergraduate Calendar. For the assignments, it is especially important that you reference your sources of data and information thoroughly and accurately. Otherwise you would be subject to the penalties for deliberate plagiarism.

York University takes academic honesty very seriously. Second and subsequent breaches of academic honesty as a York student (e.g., cheating on exams, plagiarism, buying/copying another's assignment solution, perhaps from the internet) will result in a permanent record of academic dishonesty that will follow the student throughout his or her career and possible expulsion from the university. The first breach of academic honesty will result in a mark of zero (0) and possible failure in the course.

Readings:

Cultivation of individual interests and pursuits is encouraged, but please study the material given within [] in the Tentative Course Calendar. You are also responsible to learn the lecture material. Remember, the course material is cumulative and requires a steady "digestion of the installment plan." Few people can master the material just before the exam. Solid foundations are necessary and much depends on you. If you proceed "step-by-step", then you will find the subject much easier. The key to the bold-faced abbreviations in the Tentative Course Calendar is given below:

RWJR: Ross, Westerfield, Jordan, Roberts, Pandes, Holloway. *Fundamentals of Corporate Finance*, Tenth Canadian Edition, McGraw-Hill Ryerson, 2019 (Connect NOT used.)

Ross: Ross, Westerfield, Jaffe, Roberts. *Corporate Finance*, Fourth Canadian Edition, McGraw-Hill Ryerson, 2005 (Chapters 10, 11 & 12 can be found on course website.)

RWJR is the required textbook for this course and is available at the York Bookstore.

More Things to Do:

1. Check the Course Website and read your e-mail regularly.
2. Submit an index card (or quarter of a letter-size page) in the third week of classes with the following handwritten information about yourself:
 - a. Your full name.
 - b. York student number.
 - c. E-mail address and local phone number.
 - d. Hometown.
 - e. Intended major/concentration and career plans.
 - f. List of Finance courses taken at York and other colleges/universities (which received transfer credit from York).
 - g. Photocopy of your **York Card** or other form of acceptable photo ID.

IMPORTANT NOTE REGARDING TENTATIVE COURSE CALENDAR: There will be a make-up class, a midterm review, a final exam review, and two tutorials on financial ratios (RWJR Chapter 3) during the semester.

The dates/times of the review sessions and tutorials are as follows:

Midterm Review: Friday, October 11, Time/Location TBA

Final Exam Review: Tuesday, December 4, 7pm-10pm, Location TBA

**Tutorials on financial ratios:
Dates/Times/Locations TBA**

TENTATIVE COURSE CALENDAR

Sep 4	<i>Deterministic Valuation I:</i> Review of TVOM, DCF Valuation, and Long-Term Financial Planning [RWJR Chapters 4, 5, 6, Appendix 6A; <i>Chapters 1 & 2 (self-study)</i>]
Sep 11	<i>Deterministic Valuation II:</i> Determinants of Interest Rates, Bond Duration & Refunding, and Subsidized Interest Rates (ODA) [RWJR Chapter 7, Appendices 7A, 7B (from course website)]
Sep 18	<i>Risk and Return I:</i> Capital Market Stylized Facts, and Mehra-Prescott Equity Premium Puzzle [RWJR Chapters 8, 12; <i>Appendix 8A(self-study)</i> , Ross Chapters 10 & 11] {Index Card Due In Class}
Sep 25	<i>Risk and Return II:</i> Markowitz Portfolio Theory & Separation Theorem, CAPM, and APT & CT: APT Equation [RWJR Chapter 13 and Appendix 13A; Ross Chapters 11 & 12]
Oct 2	<i>Deterministic Capital Budgeting:</i> Finding IRR with Infinite CCATS, EAC, and Project Evaluation & PV CCATS in Alt. Tax Regimes [RWJR Chapters 9, 10, Appendix 10C]
Oct 9	<i>Capital Budgeting with Uncertainty:</i> Scenario, Sensitivity & Break-Even Analysis, Operating Leverage, Managerial Options, and Capital Rationing [RWJR Chapter 11] {Assignment 1 Due Oct 10 7pm in Atk 282. No late submissions allowed.}
Oct 16	<i>No Class and No Office Hours – Fall Reading Week</i>
Sun, October 20, 7-9 PM	Midterm: Sunday, October 20, 7-9 PM Location: TBA
Oct 23	<i>Cost of Capital:</i> WACC, Flotation (Underwriting) Costs, APV, EVA & Free Cash Flow, and MVA [RWJR Chapter 14, Appendices 14A, 14B]
Oct 30	<i>Capital Structure:</i> M&M, Impact of Corporate Taxes, Financial Distress & Bankruptcy, Trade-Off & Pecking Order Theories, Windows of Opportunity, LBOs, IPOs, and Effects of Personal Taxes [RWJR Chapters 15 and 16 and Appendices 16A, 16B]
Nov 6	<i>Dividends:</i> Dividend Dates, and Tax Policy Effects on Payout Policy [RWJR Chapter 17]
Nov 13	<i>Applications of Capital Budgeting Techniques:</i> Leasing and M&A [RWJR Chapters 22 and 23]
Nov 20	<i>Derivatives:</i> Options, Forwards & Futures, Hedging, and Risk Management [RWJR Chapters 24 and 25]
Nov 27	<i>Review of Regression Analysis and Review for Final Exam</i> {Assignment 2 Due Dec 3 7pm in Atk 282. No late submissions allowed.}

[] denotes material covered in class on the date indicated. You are responsible for the (*self-study*) material even though these are not covered in class.

{ } denotes submission due in class on the date indicated

PLEASE NOTE THAT THIS TIMETABLE IS TENTATIVE AND CLASSES MAY BE RESCHEDULED WITH NOTICE AT A LATER DATE