

Faculty Liberal Arts and Professional Studies Department of Economics

Course: AP/ECON 4410 3.0 M: Corporate Finance

Course Webpage: <http://moodle.yorku.ca>

Term: Winter Term 2020

Prerequisite / Co-requisite:

Prerequisites: AP/ECON 2300 3.00, AP/ECON 2350 3.00 and AP/ECON 4400 3.00, or equivalents.

Course credit exclusions: AP/ADMS 4540 3.00, GL/ECON 4315 3.00, SB/FINE 3100 3.00. Note: Acceptable course substitutes are available in the Calendar.

PRIOR TO FALL 2009: Course credit exclusions: AK/ADMS 4540 3.00, AS/ECON 4410 3.00, GL/ECON 4315 3.00, SB/FINE 3100 3.00.

Course Instructor

Name: Tsvetanka Karagyzova
Office: 1082 Vari Hall
Phone: 416-736-2100 Ext. 77028
Office Hours: Thursdays, 10:30 AM – 12:30 PM
Email: tkarag@yorku.ca

Teaching Assistant: TBA

Time and Location

Lectures T 11:30 AM - 2:30 PM HNE B15

Course Organization

The course is organized in a lecture format; however, your questions, comments and feedback are welcome at any point of time, inside and outside the classroom. Technology is extensively used for delivering instruction in the classroom, making lecture notes available ahead of time, and introducing occasional videos and examples to illustrate the practical application of concepts learned in class.

Please make it a habit of checking the course website on Moodle on a regular basis for current course announcements, lecture handouts, practice questions, and assigned readings. Although **lecture notes** will be provided on Moodle, they **are not** meant to be a comprehensive treatment of the material, nor are they **a substitute for the textbook or class attendance**. **You are responsible to make up for the material covered in class if you miss a lecture. Please use your York email account for correspondence.**

Course Objectives and Learning Outcomes

ECON 4410: Corporate Finance, is a continuation of ECON 4400: Financial Economics. There are recurrent topics in both courses such as the capital asset pricing model and capital market efficiency. However, ECON 4400 focuses on the decision-making of investors while the focus of ECON 4410 is

on the decision-making of firms. In Corporate Finance we will address three major questions:

- 1) In what projects should the firm invest?
- 2) What sources of financial capital can the firm use for its investment activities?
- 3) How can the firm ensure sufficient short-term liquidity for its operations?

Topics include net present value, capital budgeting, treatment of risk, dividend policy, short-term financing, and financial strategy.

Upon completing the course, you will be able to:

- identify, describe, compare and contrast the major capital budgeting methods
- identify the limitations of each capital budgeting method
- identify relevant inputs for a capital budgeting problem
- identify the factors that affect the value of a firm and those that do not
- display awareness of behavioral theories of human decision-making
- describe and interpret fundamental theories of asset pricing behavior and their implication for corporate decision making
- identify underlying assumptions of financial theories and assess the implications of changes to these assumptions
- apply concepts and models learned in class to solve financial problems in written mathematical form
- apply concepts and theories learned in class to case studies and real-world problems
- find, analyze, and communicate financial data effectively using tables, graphs, and statistics
- communicate quantitative and qualitative economic arguments clearly in writing
- identify the potential and limitations of financial theory in dealing with real-world problems

Course Text / Readings

Required Text: Ross, Stephen A., Randolph W. Westerfield, Jeffrey F. Jaffe, Gordon S. Roberts, and Hamdi Driss, *Corporate Finance*, 8th Canadian Edition, McGraw-Hill Ryerson, 2019. ISBN: 978-1-25-927011-6.

The text is available for two-hour loan at the Scott Library reserves. For those on a tight budget, second-hand copies of the 7th and 6th Canadian editions as well as the U.S. edition of the text are widely available.

Optional: Financial Post, Wall Street Journal, Financial Times, Economist, and any other business news magazine or newspaper

Readings suggested on the course website on Moodle

Evaluation

1. A midterm exam (45 % of grade). The midterm will be held on **February 25th** during class time.

2. A comprehensive final exam (55 % of grade). The final exam date, time and location will be set by the Registrar's Office during the final examination period, April 7-25.

The midterm and the final are both **closed book exams**. The final exam is cumulative with a greater emphasis on the material covered after the midterm. The course grade will be determined by the following rule, which takes into consideration exceptionally strong performance on the final exam:

Course Grade = Max{(45% Midterm + 55% Final), 100% Final}

Concerns about apparent grading errors will be considered during the term, but requests for "extra credit" or other special considerations in assigning grades will be ignored. Bonus points may be assigned for in-class activities; there is no make-up for such activities. Final course grades

may be adjusted to conform to Program or Faculty grades distribution profiles.

While homework problem sets will not be graded, you are encouraged to work on the assigned problems to reinforce the course material and prepare for exams.

Optional grading scheme

You can opt to work in a group on projects that I will assign in class. There will be 3 group projects, and each project will be worth 8% for a maximum of 16%. If you choose to complete all three projects, the best two will count towards your final grade. You are responsible to form a group and each group should have no fewer than 4 people and no more than 5.

If you submit one project, your course grade will be determined by the following rule:

Course Grade= Max{(41% Midterm + 51% Final + 8% Project), 92% Final + 8% Project}

If you submit two (or three) projects, your course grade will be determined by the following rule:

Course Grade= Max{(37% Midterm + 47% Final + 16% Projects), 84% Final + 16% Projects}

Detailed instructions on each assignment will be provided in class two weeks before the due date.

Grading, Assignment Submission, Lateness Penalties and Missed Exams

Grading: The grading scheme for the course conforms to the 9-point grading system used in undergraduate programs at York (e.g., A+ = 9, A = 8, B+ = 7, C+ = 5, etc.). Assignments and tests will bear a number grade that you can convert into a letter grade using the standard York University conversion table (e.g., A+ = 90 to 100, A = 80 to 90, B+ = 75 to 79, etc.). For a full description of York grading system see the York University Undergraduate Calendar -

<https://calendars.students.yorku.ca/2019-2020/academic-and-financial-information/academic-information/grades-and-grading-schemes>

Assignment Submission and Lateness Penalties: If you choose to work on the group projects, you agree that all group reports will be subject to submission for textual similarity review to Turnitin via Moodle for the detection of plagiarism. A hard copy of each assignment is to be handed in class and an electronic copy (one submission per group) to Turnitin by the due date. The electronic copy should be identical to the hard copy. In the exceptional case that you miss the deadline, your grade will be reduced by 10% for every day of delay.

Missed Exams: There will be **no make-up midterm exam** for any reason. **The midterm exam is not optional.** If you **miss the midterm without a documented excuse, you will receive a grade of zero.** For example, your course grade will be equal to 55% Final (assuming you chose not to work on the group projects).

If you **miss the midterm and you have a documented excuse**, your final exam will carry the extra weight (e.g., 100% instead of 55% if you choose not work on the group projects). In such a case, you must, 1) e-mail me as soon as possible; and 2) provide me with a **hard copy** of the appropriate documentation verifying the circumstances for the missed midterm exam within 2 weeks of the exam date (e.g., completed [Attending Physician's Statement form](#)).

For students who **miss the final**, the Department of Economics Guidelines on Deferred Standing apply (<http://econ.laps.yorku.ca/students/academic-policies-procedure/deferred-standing/>). In such cases, students should submit in person a completed Deferred Standing Agreement form together with the supporting documents to the Department of Economics to my attention. The date and time of the deferred exam will be set at a later date. Students who may require further extensions will have to submit a formal petition to the Faculty.

Tentative Course Topics:

Week	Topic
Week 1	Ch. 1. Introduction to Corporate Finance Ch. 7 Net Present Value and Other Investment Rules
Week 2	Ch. 8 Net Present Value and Capital Budgeting
Week 3	Ch. 9 Risk Analysis, Real Options, and Capital Budgeting
Week 4	Ch. 11 Risk and Return: The Capital Asset Pricing Model
Week 5	Ch. 12 The Arbitrage Pricing Theory
Week 6	Ch. 13 Risk, Return and Capital Budgeting
Week 7	Midterm exam – February 25th
Week 8	Ch. 14: Corporate Financing Decisions and Efficient Capital Markets
Week 9	Ch. 16: Capital Structure: Basic Concepts
Week 10	Ch. 17: Capital Structure: Limits to the Use of Debt
Week 11	Ch. 18: Valuation and Capital Budgeting for the Levered Firm
Week 12	Ch. 23: Options and Corporate Finance: Basic Concepts Ch. 30: Mergers and Acquisitions

Note: The above list of topics is subject to change.

IMPORTANT COURSE INFORMATION FOR STUDENTS

All students are expected to familiarize themselves with the following information, available on the University Secretariat webpage - <http://secretariat-policies.info.yorku.ca>.

- Senate Policy on Academic Honesty and the Academic Integrity Website. I take academic integrity seriously. Copying, plagiarizing, or other forms of academic misconduct will not be tolerated. Any student caught engaging or assisting in such activities will be subject to academic discipline as outlined in the Senate Policy on Academic Honesty available at <http://www.yorku.ca/secretariat/policies/document.php?document=69>.
- Course requirement accommodation for students with disabilities, including physical, medical, systemic, learning and psychiatric disabilities
- Student Conduct Standards
- Religious Observance Accommodation

Course ADD/Drop Deadlines

	Fall Term 2019 (F)	Winter Term 2020 (W)
Last date to add a course without permission of instructor (also see Financial Deadlines)	Sept. 17	Jan. 19
Last date to add a course with permission of instructor (also see Financial Deadlines)	Oct. 1	Feb. 3
Last date to drop a course without receiving a grade (also see Financial Deadlines)	Nov. 8	March 13
Course Withdrawal Period (withdraw from a course and receive a grade of “W” on transcript – see note below)	Nov. 9 - Dec. 3	March 14 - Apr. 5

****Policy and Guidelines on Withdrawn from Course:** <http://secretariat-policies.info.yorku.ca/policies/withdrawn-from-course-w-policy-and-guidelines/>
<https://registrar.yorku.ca/enrol/dates/fw19>