York University

School of Administrative Studies, LA&PS

**AP/ADMS 4541 A**

**Applied Corporate Finance**

**Fall 2019**

**Instructor:** Dr. Yogendra Prasad ACHARYA

Office hours: By appointment

Phone: (416) 736-2100

E-mail: yogen@yorku.ca

**Class Hours:** Wednesdays 4.00 - 7.00 pm (September 4 to November 27, 2019)

**Room/ Location:** YK MC 213

**Office:** School of Administrative Studies, Atkinson Building, Keele Campus

 **Office Hours**: By appointment

**Course Description:**

The objective of the course is to undertake a rigorous study of the theory and empirical evidence relevant to corporate finance. Building upon your introductory knowledge from ADMS 3530, you will learn elements of corporate finance which were not covered in ADMS 4540. Examples include working capital management, integrating trade credit and marketing, integration of credit policy and long-term strategic financial decisions, Fama-French studies of capital structure, venture financing, multinational financial management and risk management (if time permits). Be forewarned that most students would find this course both **quantitative and demanding**.

**Prerequisites:**

Credit in ADMS 3330, ADMS 3530 and its prerequisites (especially ADMS 2320). Given that finance 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 statistical analysis. Knowledge of elementary calculus is also essential.

**Required Work and Grading:**

Course requirements include class attendance (including active participation), a group case presentation and written case analysis, a group project, a mid-term exam and a final exam, with the weights given as follows:

In-class-Activities, Participation & class contribution : 15 %

Group Case Presentation/Submission : 10 %

Group Project : 20 %

Mid-term Exam (90 minutes) : 20 %

Final Exam (2 hours) : 35 %

Attendance (that includes active participation) and class-contribution is important for learning. You are expected to come to each lecture and encouraged to participate actively in class. Marks will be based on timely completion of assigned individual homework, group contribution, attendance & class contribution, and more importantly on Professor’s subjective judgment/assessment (and class observation) of your class participation and peer evaluation of your contribution to the group and other fellow participant/s. Please do not take it otherwise and 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 in class or within the group. One could also receive a low mark because one does not attend class regularly or is poorly evaluated by group members and/or by the Instructor.

The class will be divided into groups of 5 or 7 students for the case presentation assignment and for a project. The **case presentations** will be started in class (immediately after the midterm exam) on **October 9 (time permitting) and ended on October 23**. Each group will have **15 minutes** (12 minutes for presentation and 3 minutes for question-answer session) to present their case that includes 3 minutes for discussion. The cases might be taken from anywhere or from the end-of-chapter cases mainly from chapter 2, 3, 4, 12, 13, 14, 15, 16 and 17 of the textbook (with one case assigned by the instructor to each group). Marks for your group case presentation (worth 10%) will be individual for each presenter (not the same marks for all the group members) and will be based on your individual oral presentation skill/s and professionalism. However, a written submission of the case presentation is due on the day of presentation (**October 23**) in class. Please remember, each and every group member must present his/her segment in class as decided by the group and/or by the group leader. The guidelines for an effective oral presentation skills will be posted or delivered in class and presentation rubrics will be posted or explained in the class. Please note that all the group members must be well acquainted and familiar with all the segments of the report, project and the presentation. Group leader must organize a group meeting every week and write a minutes/meeting notes at the end of meeting. This will be taken as an evidence of your participation and contribution to the project/case. The format of the minute will be provided if you contact your Instructor. You are supposed to attach this meeting note/s (in the appendix) when you submit your final group case and project report for marking.

The group project (worth 20%) would be an empirical or numerical study of one of the topics covered in the course. Suggestions on possible projects would be made in class over the first nine weeks, and a **one-page project proposal** (worth 10% of the total group project worth) is due in class by 3**0th of October** from each group. The **group project** (Professionally bound hard copy supported by meeting minutes/notes) is due on **November 27** in class (in the beginning of the class).

Please realize that class participation and contribution to the group are essential to learning and are very important components of the overall grade. It was experienced that past students who missed classes found it difficult to catch up as a significant part of learning outcomes and takeaways from classroom and group discussion and interaction. Likewise, past students who did not contribute effectively to the group (as evident from peer evaluations) also did not do as well on exams compared to as those who contributed more to the group. This suggests that effort put into group work contributes to learning. Therefore, it is suggested that s***tudents who are unable to attend class or who cannot contribute effectively to the group (by missing group meetings, for example) should take the course in another semester when they are able to participate more actively.***

The **mid-term exam** of 90-minute duration will be written during class time on **October 9 (week 6)** with the location to be announced later in class (but most probably in the regular classroom). The **final exam of 2-hour-duration** will be written as scheduled by the Registrar’ office (The final exam date, time and location will be determined by the Registrar’s office in due course. The Final exam for the term - Fall 2019 - is tentatively scheduled and may take place from December 5-20). Both the mid-term and final exams are **closed book**. 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 (i.e. one page of single sided) list of ***handwritten***formulas only may be used to write the mid-term and final exams (This formula sheet might be inspected by the Instructor before starting the exam). This page must not be glued, printed nor photocopied, and must be submitted back together (to the Instructor) with each exam. **If you have a religious conflict, please submit the valid document and 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 exam. If you have a valid excuse (supported by acceptable valid official document/s), your final exam performance relative to other students will be used to estimate your midterm exam marks. It is based on Professor’s discretion and there is no appeal for the marks estimated and assigned. If you do not have a valid excuse, you will receive a mark of zero (0). The final exam is comprehensive (cumulative) and covers the entire course. However, more weight may be given to the material covered after the mid-term exam. 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 instructor to look at it again, then please submit a written request for a review with acceptable valid reason/s for the review.

If you want to review the midterm exam, you have to contact your Professor within five business days starting from the date your midterm exam marks are officially posted on the system (i.e. Moodle) and/or made available to the students (either in class or through the official system). You can contact your Professor by making an official appointment via an email to set up a date and time for review. No action will be taken if contacted afterwards.

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

### *The mean or median final grade in the course is expected to be in between 70% to 79%* for which you need to work very hard and should get ready to take a challenge.

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

**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

<https://sas-app.laps.yorku.ca/>

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:

<https://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.

**Policy for Exam Deferrals:**

Although the policies for exam deferrals are already mentioned above very clearly, it is repeated here once again that the School of Administrative Studies has begun implementing the new **Deferred Standing Agreement** (**DSA**) process. According to School Guidelines, Deferred Standing may be granted to students who are unable to write their examinations at the scheduled time, or to submit their assignment/s by the last day of classes.

**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.*

In order to apply for deferred standing, students must complete a Deferred Standing Agreement (DSA) form ***online*** and submit their request no later than five (5) business days from the date of the exam. The request must be properly submitted with supporting documentation directly to the main office of the School of Administrative Studies (282 Atkinson) ***with the online form***. These requests will be considered on their merit and decisions will be communicated to the students ***online***. Students with approved DSA will be able to write their deferred examination during the School's deferred examination period (Please contact the department). No further extensions of deferred exams shall be granted. The format and covered content of the deferred exam may be different from that of the originally scheduled exam. 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.

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

Attending Physician's Statement Form:

<http://www.yorku.ca/laps/council/students/documents/APS.pdf>

In order to apply for deferred standing, students must register at

<http://apps.eso.yorku.ca/apps/adms/deferredexams.nsf>.

Immediately after registering, hand in a completed DSA form (see link below) 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. Again, 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 following link:

 <http://apps.eso.yorku.ca/apps/adms/deferredexams.nsf>.

No individualized communication will be sent by the School to the students (no letter or e-mails).

It is the policy of the School of Administrative 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 deferred or a late withdrawal or some other remedy appropriate to their circumstances.

**On Learning:**

Except during tests 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 of respective academic year. For the cases and group project, 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 case study or term paper or project, 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. If the breach of academic honesty is committed by a group, all the members of the group will be penalized.***

**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:

**MZ:** Zietlow, J., Hill, M., and Maness, T. *Short-Term Financial Management*, (Fifth edition), Cognella, Inc. academic publishing.

**(**Alternatively, MZ: Zietlow, J., Hill, M., and Maness, T. *Short-Term Financial Management*, Revised Forth edition, Cognella, Inc. academic publishing, 2014 and Maness, Terry S. and John T. Zietlow, *Short-Term Financial Management*, Third Edition, Thomson-Southwestern, 2005. (reprinted by University Readers, 2008) may be used at your own risk in worst case scenario)

**MZ** is the required textbook for this course and is available at the York Bookstore (or go to www.cognella.com). Other readings are available on-line from the York Libraries website (#) or on the course website (\*), and they are abbreviated as follows:

(Please note that your course director may add some other relevant important articles and / or links that are not mentioned below)

**FF1:** Fama, E.F. and K.R. French, “Taxes, Financing Decisions, and Firm Value,” *Journal of Finance*, 53, 1998, pp. 819-843. (#)

**FF2:** Fama, E.F. and K.R. French, “Testing Tradeoff and Pecking Order Predictions about Dividends and Debt,” *Review of Financial Studies*, 15, 2002, pp. 1-33. (#)

**FF3:** Fama, E.F. and K.R. French, “Financing Decisions: Who Issues Stock?” [*Journal of Financial Economics*](http://en.wikipedia.org/wiki/Journal_of_Financial_Economics), 76, June 2005, pp. 549-582. (#)

**Lim:** Lim, W., "The Five C’s in the Determination of the Terms of Credit", Keynote Presentation, *Global Business and Finance Research Conference,* London, U.K., July 2008. (\*)

**LER:** Lim, W., Elahee, M.N., and Rashid, M., "A Simple Model Integrating Capital Budgeting with Trade Credit", Lead Article, *Corporate Finance Review*, Volume 9, Number 5, pp.5-14, March/April 2005. (\*)

**LR1:** Lim, W. and M. Rashid, “An Operational Theory Integrating Cash Discount and Product Pricing Policies,” *Journal of American Academy of Business*, March 2002, pp. 282-288. (\*)

**LR2:** Lim, W., and M. Rashid, "Variations on the Operational Theory Integrating Cash Discount and Product Pricing Policies", *The Business Review, Cambridge*, Vol. 10, No. 2, 2008, pp. 1-7. (\*)

**LR3:** Lim, W., and Rashid, M., "Monetary Policy and Menu Costs on Credit Policy and Product Pricing", *Financial Management Association 2008 International Meeting*, Grapevine (Dallas) TX, October 2008. (\*)

**LRM:** Lim, W., Rashid, M., and Mitra, D., "Changes in Credit Terms and Clientele Effects on the Cash Discount Rate in Credit Policy", *Review of Business Research*, Vol. 6, No. 2, pp.141-151, 2006. (\*)

**LRS:** Lim, W., M. Rashid and M. Sarker, “The Opportunity Cost of Entrepreneurial Labor and Dominant Financial Contracts,” *Global Economy and Finance Journal*, Vol. 3, No. 2, pp. 214-227, September 2010. (\*)

**RM:** Rashid, M. and D. Mitra, “Price Elasticity of Demand and an Optimal Cash Discount Rate in Credit Policy,” *Financial Review*, August 1999, pp. 113-120. (#)

**More Thing/s to Do:**

1. Check the Course Website and read your e-mail regularly.
2. Attend the class regularly on time and take the class /lecture notes seriously sincerely and thoroughly. Additional lecture materials will be posted on the course website which you need to study thoroughly and carefully.
3. Participate and interact actively with group and fellow participants and practice the problems/exercises
4. Do your assigned individual homework and submit it on time to your Professor in class.

**Acknowledgements:**

Sincere thanks goes to the Professors of Finance Area of the School of Administrative Studies for their support particularly from Dr. William Lim, Dr. Kwok Ho, Dr. Nabil Tahani, and Prof. Dr. Dale Domian.

**TENTATIVE COURSE CALENDAR**

|  |  |  |
| --- | --- | --- |
| Week | Date | Wednesdays 4 PM – 7 PM  |
| 1 | Sept. 4 | **Introduction and Liquidity** Working Capital and Financing Decisions, Short-term Financial Planning in a nutshell, Financing Alternatives and Financing Decisions, Short-term vs. Long-term Financing, Short-term financing plan and sources of short-term financing, Cash Conversion Cycle, Cash Budgeting, and Cash holdings, Cost of Bank loans, APR and EAR calculations**[MZ** Chapters 1, 2 & 3, and Appendix A**;** *Chapter 2 (self-study); Additional Reference materials from chapter 13***]** |
| 2 | Sept. 11 | **Management of Working Capital**Cash and Inventory Management**[MZ** Chapter 4 and Unit 3 **]** |
| 3 | Sept. 18 | **Current Assets and Corporate Cash Management** Accounts Receivables ManagementCredit policy, administration and collections, Customer Credit ProfileCash: Concentration, collection and Disbursement Systems**[MZ** Chapters 5, 6 & 7, 9, 10, 11 and Appendix A**]** |
| 4 | Sept.25 | **Sources of short-term financing** Credit management and collection, Trade Credit, Bank Credit, Net Credit Position, Corporate and Foreign Borrowings, Account Receivable Financing, Integrating Trade Credit and Marketing**[MZ:** Chapter 13 & 15, **RM** and **LR1;** AdditionalReview Materials fromCh. 5, 6 & 7**]** |
| 5 | Oct.2 | Mid-Term Exam Review |
|  |  |  |
| 6 | Oct.9 | **MID-TERM EXAM****(4-5:30 pm)**(Followed by Independent Group Project Preparation & Case Presentation Practice)  |
|  |  | **Reading Week Oct. 16 –No Class!** |
| 7 | Oct.23 | **GROUP CASE PRESENTATION & DISCUSSION****{Group Case Presentation & Submission Due}** |
|  |  |  |
| 8 | Oct.30 | **Cash Forecasting and Empirical Research Methodology**Tracing Changes in Cash and Working Capital, Forecast the sources and the uses of cash, Cash Budgeting, Empirical Research Methodology in a nutshell.**[MZ** Chapter 12, **LRM** and **LR2]****{One-page Group Project Proposal Due}** |
| 9 | Nov.6 | **Valuation, Time Value of Money, Capital Budgeting, Trade Credit and Venture Financing** (*Lecture materials &* *self-study*)**[LR3, LER** and **LRS]** |
| 10 | Nov.13 | **Short Term Financial Planning**(**MZ**: Chapter 13)Fama-French Capital Structure Studies (*self-study*)**[FF1, FF2** and **FF3]** |
| 11 | Nov.20 | **Multinational Financial Management and Managing Financial Risk****[Lim**, **MZ** Chapter 17 & pp. 285-288**;** *Chapter 14 (self-study)***]** |
| 12 | Nov.27 | **Final Exam Review**(Location regular class room)**{Group Project Due on Nov. 27th in class at the beginning – professionally bound hard copy only}** |

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

**{ }** denotes submission due in class by the date indicated.

Note:

Please note that this is an initial tentative guideline. Any changes / revisions and amendments will be notified in class and/or posted on the respective class website in due course.

**Class Attendance**:  please be informed that students are required to attend the section they are registered in. It is a university requirement.

In-class-Activities, Participation & class contribution **(15%) marking Criteria:**

1. Punctuality and Regularity: Full time class attendance (arriving and leaving the class on time) -3 marks
2. Meeting Due Dates: Homework on time -3 marks
3. Index card submission on time - 2 marks
4. Active involvement on In-class group and individual exercise - 3 marks
5. Meaningful class contribution and active participation in subject matter discussion – 4 marks

Total marks: 15%