

York University  
School of Administrative Studies, LA&PS

AP/ADMS 4540 Financial Management  
Winter 2021 Section M & P  
(M: Tue 7:00 -10:00 pm; P: Tue 4:00 – 7:00 pm, Online)

**Course director:**  
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**Online Office Hours:**  
Monday 12:30 – 2:30 pm  
(By Appointment, as required, on Zoom)

**ESSENTIAL NOTICE: READ THIS FIRST**

This course is online due to COVID-19 and will have regular interactive meetings on Zoom on Tuesday afternoons for one to two hours long. The interactive sessions will not be recorded and posted on the course website. Students will be responsible to attend this session for attendance and active participation.

We may change some aspects of this course as we work through it in these extraordinary circumstances. We will post updated information on the course website. In order to make an online course work, you have to keep working every week rather than leaving it all to the end of the course, and we have organized the course so that you will have some work for grading almost every week.

Students will be responsible for owning and maintaining a computer (with camera) and stable internet connection that will allow them to participate in all aspects of this course. The time will be limited for quizzes, midterm and final exam, and you have to be on zoom with cameras turned on during the quizzes and exams. You MUST use the MOCK exams to practice modes of uploading answers before the actual ones. In no case, answers will be accepted by emails.

Now read the rest of this outline. The pandemic has led too many changes from the way this course has operated in the past.

**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 2320 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, quizzes, exams, with the weights given as follows:

Attendance and Participation	: 10 %
Assignments (4, individual or paired will be mentioned)	: 10 %
Quizzes (unannounced, out of 6, 5 will be counted)	: 25%
Mid-Term Exam (2 hours; Sun, Feb 21, 11:00 am-1:00 pm)	: 25 %
Final Exam (2.5 hours, during final exam period Apr 14-28)	: 30 %
<b>Total</b>	<b>100%</b>

## Register for Zoom:

If you have not used zoom before, do not wait for the start of the course to register. Do it now! You can get the basic version free online. York University has a license for Zoom that allows faculty members to run classes with up to 300 people. We will give you codes to enter the class in advance. All you will need to do is start Zoom, click the button to enter a class and then enter the code for that session.

## Attendances:

Attendance (including active participation) is important for learning. You are expected to join each lecture and encouraged to participate actively in class. **One** mark will be given for your index page, and the other **9 marks** will be based on attendance (0.5 for each of 8 sessions taken randomly starting from the third session, totaling 4 marks), and participation (5 marks), more importantly, based on my subjective assessment of your class participation (includes asking meaningful questions, answering my questions or adding comments). 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 receive even lower mark because one does not attend classes regularly.

## Assignments:

There are 4 short assignments. You may work in pairs, but you have to submit or upload assignments for both partners on eClass to avoid confusion. You must submit each assignment on eClass in the form specified (PDF or image) before the deadline. You must write your names, student numbers and email addresses at the top of each page of your assignment. We will not give any credit to an unidentified assignment. We do not have the time to track you down.

When instructed to handwrite your assignment, you may write your answers on regular pages and take pictures, insert these pictures into a word file and then convert that into a PDF file for uploading on the course website.

## Quizzes:

There will be six unannounced quizzes during the term. Five of them will be counted for 25% of the weight. So, you should join each class, participate actively and write these quizzes when they are conducted.

**Exams:**

The mid-term exam is of **2 hours duration** on **Sunday, February 21, 11:00 am – 1:00 pm (Online)**. **It will comprise six (6) questions on the following topics:**

1. Bond Duration (similar to 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)
6. Capital Budgeting with NPV/IRR (similar to Assignment 1 question, end-of-chapter 10 problems and past exam questions)

Questions will also include any topic covered in lectures or required reading material up to Lecture 5 ***Deterministic Capital Budgeting***. 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. The exam is open book, and you can use a **formula sheet** containing all formulas you think of importance.

The final exam of **2 ½ hour duration** will be written as scheduled by the Registrar and will be **cumulative**. Final exam is also open book and you may use a formula sheet of your own convenience. Details about these exams will be posted on the course website on time.

Both exams are online and must be written during the specified time. You must write these exams on regular size (8.5"x11") paper, and then post on the exam website. Preparation and submission of your assignments will make you familiar with this.

**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) if you have written the mid-term exam. **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 would like the course director to look at it again, then please submit a **written** request in an **email** for a review with valid reasons for the review. But, keep in mind that after reviews your score may go lower, remain same or go higher depending on your answers and marking scheme.

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.

### **Deferred Standing – Missed Final Exam**

Deferred standing may be granted to students who are unable to write their final examination at the scheduled time. In order to apply for deferred standing in an AP/ADMS class, students must register at:

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

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 same link as above. No individualized communication will be sent from the School to the students (no letter or e-mails).

It is the policy of the SAS finance area that instructors will NOT sign a DSA form if you miss one (or both) midterm exams and the final exam. Students in this situation will need to petition for a deferred exam, late withdrawal or a remedy appropriate to their circumstances.

### **Academic Honesty and Integrity**

In this course, we strive to maintain academic integrity to the highest extent possible. Breaches of academic integrity range from cheating to plagiarism (i.e., the improper crediting of another's work, the representation of another's ideas as your own, etc.). All instances of academic dishonesty in this course will be reported to the appropriate university authorities, and can be punishable according to the [Senate Policy on Academic Honesty](#):

<https://secretariat-policies.info.yorku.ca/policies/academic-honesty-senate-policy-on/>

### **Relevant University /LA&PS/ School Regulations**

The regulations on many aspects of coursework that apply to you are on this site:

<http://sas.laps.yorku.ca/students/>

You are responsible for understanding and following these regulations.

### **On Learning:**

Except during assignments, quizzes 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 page (full letter-size page) in the *second 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.

*You are required to post this index page on the course website by the second week of class. Use a PDF file and name it as: LastName, FirstName.pdf*

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

**Midterm Review: Friday, February 19, 7-10pm, Online**

**Tutorials on financial ratios: Mar 6 and Mar 7, 10:00 am – 1:00 pm, Online**

**Final Exam Review: Saturday, April 10, 7-10pm, Online**

## TENTATIVE COURSE CALENDAR

Jan 12	<b>Lecture 1: <i>Deterministic Valuation I:</i></b> Review of TVOM, DCF Valuation, Subsidized Interest Rates (ODA) & LT Fin Plan [RWJR Chapters 4, 5, 6, Appendix 6A; <i>Chapters 1 &amp; 2 (self-study)</i> ]
Jan 19	<b>Lecture 2: <i>Deterministic Valuation II:</i></b> Determinants of Interest Rates, Bond Duration & Refunding [RWJR Chapter 7, Appendices 7A, 7B (from course website)] <b>[Index page due in class.] [A1 Due Date: TBA]</b>
Jan 26	<b>Lecture 3: <i>Risk and Return I:</i></b> Capital Market Stylized Facts & Mehra-Prescott Equity Premium Puzzle [RWJR Chapters 8, 12; <i>Appendix 8A(self-study)</i> , <b>Ross</b> Chapters 10 & 11]
Feb 2	<b>Lecture 4: <i>Risk and Return II:</i></b> Markowitz Portfolio Theory & Separation Theorem, CAPM, and APT & CT: APT Equation [RWJR Chapter 13 and Appendix 13A; <b>Ross</b> Chapters 11 & 12] <b>[A2 Due Date: TBA]</b>
Feb 9	<b>Lecture 5: <i>Deterministic Capital Budgeting:</i></b> Finding IRR with Infinite CCATS, EAC, and Project Evaluation & PV CCATS in Alt. Tax Regimes [RWJR Chapters 9, 10, Appendix 10C]
Feb 16	<b>No Class: Reading Week (Feb 13 – 19)</b>
Feb 19	<b>Midterm Review: Friday 7pm-10pm, Online</b>
Feb 21	<b>Midterm Exam: Sunday, 11:00 am – 1:00 pm; Online</b>
Feb 23	<b>Lecture 6: <i>Capital Budgeting with Uncertainty:</i></b> Scenario, Sensitivity & Break-Even Analysis, DOL, Managerial Options & Capital Rationing [RWJR Chapter 11]
Mar 2	<b>Lecture 7: <i>Applications of Capital Budgeting Techniques:</i></b> Leasing and M&A [RWJR Chapters 22 and 23] <b>[A3 Due Date: TBA]</b>
Mar 6/Mar 7	<b>Tutorials on financial ratios: 10:00 am – 1:00 pm, Online</b>
Mar 9	<b>Lecture 8: <i>Cost of Capital:</i></b> WACC, Flotation (Underwriting) Costs, APV, EVA & MVA [RWJR Chapter 14, Appendices 14A, 14B]
Mar 16	<b>Lecture 9: <i>Capital Structure:</i></b> 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]
Mar 23	<b>Lecture 10: <i>Dividends:</i></b> Dividend Dates, and Tax Policy Effects on Payout Policy [RWJR Chapter 17] <b>[A4 Due Date: TBA]</b>
Mar 30	<b>Lecture 11: <i>Derivatives:</i></b> Options, Forwards & Futures, Hedging, and Risk Management [RWJR Chapters 24 and 25]
Apr 6	<b>Lecture 12: <i>Review of Regression Analysis and Review for Final Exam</i></b>
Apr 10	<b>Final Exam Review: 7:00 – 10:00 pm</b>
Apr 14-28	<b>Final Exam Period: TBD by RO (ONLINE)</b>

[ ] 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**