

York University
School of Administrative Studies, LA&PS

AP/ADMS 4541 Applied Corporate Finance
Fall 2021 Section A
(Thursday 7-10 pm, Online)

Course director:
William Lim
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Online Office Hours:
Thursday 5-6 pm
(By Appointment, as required, on Zoom)
Or email your questions anytime

ESSENTIAL NOTICE: READ THIS FIRST

This course is online due to COVID-19 and will have regular interactive meetings on Zoom on Thursdays at 7pm for one to two hours long. The interactive sessions may be recorded and posted on the course website. Students will be responsible to attend all the interactive sessions for attendance and active participation. Students would also be required to watch the one-hour video posted on the course website after each zoom interactive session. The video will teach material necessary for presentations on the following week.

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 individually and in groups every week rather than leaving it all to the end of the course, and we have organized the course so that you and your group will have some work for grading almost every week.

Students will be responsible for owning and maintaining a computer and stable internet connection that will allow them to participate in all aspects of this course. The time will be limited for the midterm and final exam, and you will have to be on zoom during the exams. You MUST use the MOCK exams to practice modes of uploading answers before the actual ones. In no case will answers be accepted by emails. Now read the rest of this outline. The pandemic has led to 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 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 2330 and ADMS 3530. 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.

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.

Required Work and Grading:

Course requirements include class attendance (including active participation), group presentations of end-of-chapter problems in zoom interactive sessions, a group project, a mid-term exam and a final exam, with the weights given as follows:

Attendance and Participation	: 20 %
Group Problems Presentations on zoom in class	: 10 %
Group Project Proposal and Presentation	: 5 %
Group Project Final Report	: 15 %
Mid-Term Exam (1 hour; Thursday, October 28, 7-8 pm)	: 15 %
Final Exam (2 hours, during final exam period December 9-23)	: 35 %
Total	: 100%

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 14 marks will be based on attendance, voluntary individual presentation of your answers to problems on Sep 16, and most importantly, on my subjective assessment of your class participation and peer evaluation of your contribution to the group. 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 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.

The class will be divided into groups of 6-8 students for the in-class zoom presentations and project. If you are unable to find a group to join by Sep 22, you will be assigned to a group by the course director. The in-class group presentations on zoom of your answers to problems, worth 10% of the course grade, will be held on Sep 23, Sep 30, Oct 7, Oct 21, and Nov 4. The in-class group presentation on zoom of your approved project proposal will be held on Nov 18 and Nov 25.

The group project 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, and a one-page project proposal is due by **November 11** from each group by email. The one-page group project proposal and group presentation of the approved proposal on Nov 18 and Nov 25 (half the groups present on each date) are worth 5% of the course grade. The group project final report is due by **December 7, 7 PM**, by email. It is worth 15% of the course grade.

Please realize that class participation and contribution to the group are essential to learning and are very important components of the overall grade. Past students who missed classes found it difficult to catch up as a significant part of learning comes from classroom and group interaction. Past students

who did not contribute effectively to the group (as evident from peer evaluations) also did not do as well on exams as those who contributed more to the group. This suggests that effort put into group work contributes to learning. Therefore, **students who are unable to attend class or who cannot contribute effectively to the group (by missing online 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** is written online during the interactive zoom session of class time on October 28, from 7pm to 8:30pm. There will be a video to watch after the midterm. The midterm exam will cover material up to the lecture material on Oct 7 (Integrating Trade Credit and Marketing). The final exam of 2-hour duration will be scheduled by the Registrar and is cumulative.

Both the mid-term and final exams are online and open book. Both exams must be written during the specified time. Some parts of exam questions will involve calculations where working steps must be shown. Some parts of exam questions are conceptual where essay answers which may include diagrams/graphs are required. While both exams are open book, **you must prepare a one letter-size page formula sheet containing all formulas and concepts you think are of importance.** The formula sheet **must be handwritten by you** and **must be scanned and uploaded with the answers to the exam** or you will receive a mark of zero on that exam. You must answer the exams questions on regular size (8.5"x11") paper, and then post on the exam website. Preparation and submission of your mock exams will make you familiar with this. More details about these exams will be posted on the course website in due time.

Students requiring accommodation for exams (e.g. extra time) must inform the course director by Wednesday September 22 at the latest in order for the course director to manually override the specified time limit.

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 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:

MZ: John Zietlow, Matthew Hill & Terry Maness, *Short-Term Financial Management*, Newly Revised Fifth Edition, Cognella Inc., 2020.

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

MZ4: **MZ** Chapter 4 Inventory Management revised by William Lim. (*)

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*](#), 76, June 2005, pp. 549-582. (#)

Lim: Lim, W., "The Five C's in the Determination of the Terms of Credit", Keynote Speech, *Global Business & 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 Things to Do:

1. Check the Course Website and read your e-mail regularly.
2. Submit an index page (full letter-size page) by 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.

You are required to post this index page on the course website by September 23. Use a PDF file and name it as: LastName, FirstName.pdf

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TENTATIVE COURSE CALENDAR

	Thursday 7pm-10pm unless otherwise indicated
Sep 9	Introduction and EOQ Models [MZ Chapters 1&2 (<i>self-study</i>), MZ Chapters 3 & 4]
Sep 16	Inventory [MZ4] {Individual Presentation of Answers to Problems}
Sep 23	Receivables Management [MZ Chapters 5 & 6] {Index Card Due, Group Presentation of Answers to Problems}
Sep 30	Payables Management [MZ Chapters 7] {Group Presentation of Answers to Problems}
Oct 7	Integrating Trade Credit and Marketing [RM and LR1] {Group Presentation of Answers to Problems}
Oct 14	No Class and No Office Hours – Reading Week
Oct 21	Cash Management and Mid-Term Exam Review [MZ Chapters 12 & 13] {Group Presentation of Answers to Problems}
Oct 28	MID-TERM EXAM (7-8:30 pm Online) Please watch posted zoom video after the exam
Nov 4	Empirical Research Methodology [MZ Chapter 11 and LRM] {Group Presentation of Answers to Problems}
Nov 11	Trade Credit, Product Pricing and Menu Costs [LR2 and LR3] {One Page Group Project Proposal Due by Email}
Nov 18	Trade Credit, Capital Budgeting and Venture Financing [LER and LRS] {Group 15-minute Presentation of Approved Project Proposal}
Nov 25	Fama-French Capital Structure Studies [FF1, FF2 and FF3] {Group 15-minute Presentation of Approved Project Proposal}
Dec 2	Lim's 5Cs and Final Exam Review [Lim]
Tuesday Dec 7, 7pm	{Group Project Final Report Due by Email by 7pm}

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

{ } denotes presentation in class or submission due by email (as instructed) on the date indicated.

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