

York University  
School of Administrative Studies, LA&PS

AP/ADMS 4540  
Financial Management  
Winter 2022  
Section N & Section O

**Course director:**  
Prof. Anh Nguyen, PhD  
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**Office Hours at ATK 257:**

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

Attendance and Participation	: 10 %
Assignments (2, handwritten, individual)	: 15 %
Mid-Term Exam (2 hours; Sun, Feb 27, 2:00 - 4:00 pm)	: 30 %
Final Exam (2.5 hours, during final exam period April 12-29)	: <u>45 %</u>
<b>Total</b>	<b>: 100%</b>

Attendance (including active participation) is important for learning. Students are fully expected to attend every class as scheduled and in the section in which they are registered. Attendance is

mandatory for the class during which the midterm exam is written (if applicable) as well as the class during which it is reviewed after the fact.

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. 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.

The mid-term exam is of **2 hour duration**. The exam is NOT multiple-choice. 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. You may use a calculator of any kind for both the midterm and final exams, but it should be a pure calculator (e.g., no laptops, mobile phones, etc.). No additional aids are allowed on the midterm and final exams.

**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](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:

<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: <http://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.)

### **More Things to Do:**

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

***You are required to submit this hand written index page at the beginning of 3<sup>rd</sup> lecture***

**IMPORTANT NOTE REGARDING TENTATIVE COURSE CALENDAR: There will be two tutorials on financial ratios (RWJR Chapter 3) during the semester.**

Tutorials on financial ratios: (TBA)

### TENTATIVE COURSE CALENDAR

# 1	<p><b>Lecture 1: <i>Deterministic Valuation I:</i></b> Review of TVOM, DCF Valuation, Subsidized Interest Rates (ODA) &amp; LT Fin Plan  [RWJR Chapters 4, 5, 6, Appendix 6A; <i>Chapters 1 &amp; 2 (self-study)</i>]</p>
# 2	<p><b>Lecture 2: <i>Deterministic Valuation II:</i></b> Determinants of Interest Rates, Bond Duration &amp; Refunding  [RWJR Chapter 7, Appendices 7A, 7B (from course website)]</p>
# 3	<p><b>Lecture 3: <i>Risk and Return I:</i></b> Capital Market Stylized Facts &amp; Mehra-Prescott Equity Premium Puzzle  [RWJR Chapters 8, 12; <i>Appendix 8A(self-study)</i>, <b>Ross</b> Chapters 10 &amp; 11]  <b>{Index Card Due in Class}</b></p>
# 4	<p><b>Lecture 4: <i>Risk and Return II:</i></b> Markowitz Portfolio Theory &amp; Separation Theorem, CAPM, and APT &amp; CT: APT Equation  [RWJR Chapter 13 and Appendix 13A; <b>Ross</b> Chapters 11 &amp; 12]</p>
# 5	<p><b>Lecture 5: <i>Deterministic Capital Budgeting:</i></b> Finding IRR with Infinite CCATS, EAC, and Project Evaluation &amp; PV CCATS in Alt. Tax Regimes  [RWJR Chapters 9, 10, Appendix 10C]</p>
# 6	<p><b>Lecture 6: <i>Capital Budgeting with Uncertainty:</i></b> Scenario, Sensitivity &amp; Break-Even Analysis, DOL, Managerial Options &amp; Capital Rationing  <b>Midterm Exam Review {A1 Due in Class}</b>  [RWJR Chapter 11]</p>
	<i>No Class: Reading Week</i>
<b>Feb 27</b>	<b>Midterm Exam: 2-4 pm</b>
# 7	<p><b>Lecture 7: <i>Applications of Capital Budgeting Techniques:</i></b> Leasing and M&amp;A  [RWJR Chapters 22 and 23]</p>
# 8	<p><b>Lecture 8: <i>Cost of Capital:</i></b> WACC, Flotation (Underwriting) Costs, APV, EVA &amp; MVA  [RWJR Chapter 14, Appendices 14A, 14B]</p>
# 9	<p><b>Lecture 9: <i>Capital Structure:</i></b> M&amp;M, Impact of Corporate Taxes, Financial Distress &amp; Bankruptcy, Trade-Off &amp; Pecking Order Theories, Windows of Opportunity, LBOs, IPOs, and Effects of Personal Taxes  [RWJR Chapters 15 and 16 and Appendices 16A, 16B]</p>
# 10	<p><b>Lecture 10: <i>Dividends:</i></b> Dividend Dates, and Tax Policy Effects on Payout Policy  [RWJR Chapter 17]</p>
# 11	<p><b>Lecture 11: <i>Derivatives:</i></b> Options, Forwards &amp; Futures, Hedging, and Risk Management  [RWJR Chapters 24 and 25]</p>
# 12	<p><b>Lecture 12: <i>Review of Regression Analysis and Review for Final Exam</i></b>  <b>{A2 Due in Class}</b></p>

[ ] 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**